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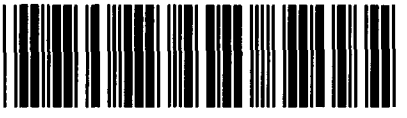

Item Number: 379

Addendum StartPage: 0

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June 3, 2019

Hon. Meaghan Bailey
Hon. Steven D. Arnold
Hon. Elizabeth Drews
Administrative Law Judges
State Office of Administrative Hearings
300 West 15th Street
Austin, Texas 78701

Re: SOAH Docket No. 473-19-3864; PUC Docket No. 49421; *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*

Dear Judges Bailey, Arnold and Drews:

Consistent with the parties' agreed adjustment to the procedural schedule in this case, attached please find CenterPoint Energy Houston Electric, LLC's direct testimony changes reflecting: (1) Errata 1; (2) issues not be addressed according to the Preliminary Order; and (3) the severance of rate case expense issues. Please do not hesitate to contact our office if you have any questions or concerns.

Best regards,

Mark A. Santos

cc: All Parties of Record

1011 W 31st Street, Austin, TX 78705 | TEL 512.879.0900 | FAX 512.879.0912 | MAIL P.O. Box 13366, Austin, TX 78711-3366

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Removal of Issues Not to be Addressed and Errata 1 to Direct Testimony of Kenny M. Mercado

is based on a test year ended December 31, 2018. In addition to the Company's Application and Statement of Intent, the components of the filing include the sworn direct testimony of ~~26~~ 25 internal and external witnesses (some of whom cover multiple subjects), direct testimony workpapers, revised tariffs, required schedules, and schedule workpapers. The filing reflects the considerable efforts of many Company employees and additional external resources, and it provides an accurate and transparent view of our business. The witnesses submitting direct testimony in support of CenterPoint Houston's Application and the topics they address are described in the table attached to my testimony as Exhibit KMM-2.

Q. WHAT IS THE TOTAL COST CENTERPOINT HOUSTON INCURS TO PROVIDE SERVICE TO ITS CUSTOMERS?

A. As described and supported in the Company's Rate Filing Package, CenterPoint Houston's total cost of service based on a test year ended December 31, 2018, as adjusted for known and measurable changes, is approximately $2.3 billion. This includes a proposed ROE of 10.4%, a capital structure of 50% debt and 50% equity, and a proposed overall weighted average cost of capital of 7.39% on a rate base of approximately ~~$6.5~~ $6.4 billion. As demonstrated by Company witness Kristie L. Colvin's testimony, the Company has prepared the filing using actual test year books and records, adjusted for known and measurable changes, and using traditional and widely accepted ratemaking principles.

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Q. HAS CENTERPOINT HOUSTON WORKED TO SUCCESSFULLY REDUCE CERTAIN COMPONENTS OF ITS COST OF SERVICE?

A. Yes. While the amounts paid to other transmission providers in ERCOT are outside the Company's control, it has been able to reduce certain components of its cost of service through prudent practices. For example, CenterPoint Houston has been able to take advantage of capital market conditions to lower CenterPoint Houston's cost of debt from 6.74% to 4.38%, as discussed in Mr. McRae's direct testimony, and has reduced its Cash Working Capital Requirements by almost 50% since Docket No. 38339, as discussed in Company witness Timothy S. Lyons' direct testimony. In addition, Rider UEDIT will return approximately ~~$97~~ $119 million to customers over the next three years.

Q. HAS THE COMPANY PROVIDED A SUMMARY COMPARISON OF THE PROPOSED COST OF SERVICE AND THE APPROVED COST OF SERVICE IN DOCKET NO. 38339?

A. Yes. Consistent with Rate Case General Instruction 2, my Exhibit KMM-3 contains a comparison of the rate base, rate of return, sales/other revenues, operating expenses by major category, and operating income as authorized in CenterPoint Houston's last rate case and as proposed in this proceeding.

Q. IS THE COMPANY MAKING ANY OTHER REQUESTS IN THIS CASE?

A. Yes. The Company seeks approval of various tariff and rate schedule changes, including, as noted above, the establishment of Rider UEDIT, which will continue to return to customers approximately ~~$97~~ $119 million in accumulated deferred federal income tax unprotected balances that resulted from the TCJA. Other tariff revisions

Q. WHAT EFFECT WOULD THE COMPANY'S PROPOSED RATE INCREASE HAVE ON RESIDENTIAL CUSTOMERS?

A. The Company is requesting approval of a rider ("Rider UEDIT") that will allow the Company to continue to pass on benefits of the TCJA to customers. Accounting for the effects of Rider UEDIT, the Company's filing shows an increase for residential customers over adjusted test year Retail Electric Delivery revenues of approximately ~~$70~~ $68 million, or approximately ~~6.2%~~ 6%. If approved and implemented through the rates for Retail Delivery Service, the impact on a residential customer using 1,000 kilowatt-hours ("kWh") per month would be an increase of approximately ~~$2.38~~ $2.23 per month. A customer with a retail plan that charges 12.51 cents per kWh would see their rate go to ~~12.75~~ 12.73 cents per kWh, or a ~~1.91%~~ 1.78% increase in their total bill. The extent to which these additional charges would be passed on by Retail Electric Providers is a function of the competitive market.

Q. WHAT ARE THE PRIMARY DRIVERS OF THE REVENUE REQUIREMENT IN THIS CASE?

A. As noted above, the primary drivers are growth related and include the increase in transmission charges for access to the Electric Reliability Council of Texas ("ERCOT") system that CenterPoint Houston incurs. Since the Company's last rate case, CenterPoint Houston has seen these transmission costs increase by approximately ~~$344~~ $347 million. In addition, CenterPoint Houston's total plant in service since the end of the test year presented in Docket No. 38339 has increased approximately $4.3 billion. This investment includes 6,543 additional miles of distribution lines, 80 new miles of transmission lines, six new distribution

include updated or clarifying language throughout its tariffs for Retail Delivery Service and service rules and regulations [redacted]. CenterPoint Houston also seeks to update its depreciation rates and property insurance reserve. [redacted]

With respect to the cost of service portion of its request, the Company's filed cost of service data demonstrates that CenterPoint Houston's annual cost of service totals approximately $2.3 billion while current annual revenues are approximately $2.1 billion. Consequently, there is a total annual net revenue deficiency under existing rates of approximately ~~$154~~ $149 million, after adjustments for known and measurable changes, and incorporating the effects of Rider UEDIT. The Company proposes to eliminate this annual earnings deficiency and to have its rates set at a level to provide it a reasonable opportunity to earn a reasonable ROE of 10.4%.

Q. HAS THE COMPANY SOUGHT TO CONTROL O&M EXPENSE SINCE ITS LAST GENERAL RATE CASE?

A. Yes. The Company works hard to control its operating costs while continuing to provide safe and reliable service at reasonable rates and has a number of processes and procedures in place to ensure the Company's costs are properly managed and remain at reasonable levels. The testimonies of Mr. Pryor, Mr. Narendorf,

Ms. Bodden, Ms. Sugarek, Ms. James and Company witness Michelle M. Townsend discuss various cost control initiatives implemented by CenterPoint Houston, as well as the Company's efforts and processes to monitor and control costs on a daily basis. Despite continuous cost control efforts, operating expenses associated with new installations, regulatory compliance, and maintenance activities within the division are rising as the Company responds to growth in its service territory. These costs are necessary to serve continuous load growth and to sustain our commitment to safety and reliability.

[redacted]

Q. IS THE COMPANY ALSO SEEKING RATE RELIEF IN THE INCORPORATED AREAS OF CENTERPOINT HOUSTON?

A. Yes. Concurrent with this filing, the Company is filing Statements of Intent and underlying support with each of the cities in CenterPoint Houston's service area retaining original jurisdiction. CenterPoint Houston has calculated its proposed rates on a system-wide basis. Accordingly, the proposed rates and tariff changes filed with the cities are identical to the proposed rates and tariff changes filed with

Witness	Subjects Addressed	Volume/Pages
Kenny M. Mercado	Mr. Mercado provides an overview of the Company's filing, introduces witnesses that support CenterPoint Houston's request, discusses Company values that drive prudent decision making on a daily basis, and describes changes that have occurred in major operating expense categories since the Company's last base rate proceeding.	Volume I/Pages 36-165
Randal M. Pryor	Mr. Pryor describes the Company's Distribution Operations Division, supports the reasonableness of the Company's distribution-related capital costs, and demonstrates the reasonableness of CenterPoint Houston's test-year O&M expenses incurred by the Distribution Operations Division.	Volume I/Pages 166-325
Martin W. Narendorf Jr.	Mr. Narendorf explains the structure and functions of CenterPoint Houston's High Voltage Operations Division, supports the reasonableness of the Company's transmission, substation and Major Underground investment, demonstrates the reasonableness of CenterPoint Houston's test-year O&M expenses incurred by the High Voltage Operations Division, and discusses certain Hurricane Harvey restoration-related efforts.	Volume I/Pages 326-573
Dale Bodden	Ms. Bodden describes the Company's Engineering & Asset Optimization Division, supports the reasonableness and necessity of test-year O&M costs incurred by the Engineering & Asset Optimization Division in support of the transmission and distribution functions, and details the processes used to plan, monitor, and control investments and expenditures.	Volume I/Pages 574-657
Julienne P. Sugarek	Ms. Sugarek details the structure and functions of the Company's Power Delivery Solutions Division, supports the reasonableness and necessity of test-year O&M expenses incurred by Power Delivery Solutions in support of the transmission and distribution functions, supports the Company's requests related to [redacted] the Company's proposals to modify CenterPoint Houston's tariffs to facilitate [redacted] and update the Company's Lighting Services Policy.	Volume I/Pages 658-762
John R. Hudson	Mr. Hudson describes CenterPoint Houston's Market Operations group and supports the reasonableness and necessity of test-year O&M expenses incurred by Market Operations.	Volume I/Pages 763-828

Witness	Subjects Addressed	Volume/Pages
Robert B. McRae	Mr. McRae supports the reasonableness and need for CenterPoint Houston's requested capital structure and return on equity, presents the Company's cost of debt, and demonstrates the reasonableness and necessity of test-year Service Company Treasury Department Organization costs assigned to CenterPoint Houston.	Volume IV/Pages 2818-2887
Gregory S. Wilson	Mr. Wilson supports the need for the Company's self-insurance reserve and the appropriate level of expense to be included in the Company's cost of service.	Volume IV/Pages 2888-2922
J. Stuart McMenamin	Mr. McMenamin presents methods and data used to develop weather-related adjustments included in the Company's filing.	Volume IV/Pages 2923-2988
Matthew A. Troxle	Mr. Troxle presents the Company's proposed allocation of costs to rate classes, rate design and tariffs, including Riders RCE and UEDIT.	Volume IV/Pages 2989-3743
[redacted]		

CENTERPOINT HOUSTON ELECTRIC
2019 RATE CASE REVENUE REQUIREMENT
(Thousands)

	Approved Docket 38339	2019 Proposed Rates	2019 Proposed Rates
Total Rate Base	$ 3,474,755	$ 6,482,512	$ 6,415,235
Rate of Return	8.21%	7.39%	7.39%
Operating and Maintenance Expense	$ 434,061	$ 616,380	$ 615,659
Net Wholesale Transmission from Others	$ 202,510	$ 546,606	$ 549,042
Depreciation and Amortization Expense	$ 250,639	$ 351,230	$ 358,487
Taxes Other Than Federal Income Tax	$ 233,784	$ 278,298	$ 278,944
Federal Income Tax Expense	$ 63,020	$ 76,724	$ 75,795
Return on Rate Base	$ 285,277	$ 479,058	$ 474,086
Total Cost of Service	$ 1,469,291	$ 2,348,296	$ 2,352,013
Other Revenues	$ 50,212	$ 66,092	$ 67,903
Total Adjusted Revenue Requirement	$ 1,419,079	$ 2,282,204	$ 2,284,110

CenterPoint Monthly Bill
for Residential Customer
Using 1000 kWh per Month

As of 3/20/2019

Current Rates

	Charge	Amount
Total CEHE Charges	$ 0.04596	$ 45.96
Average Annual Rate - December 2018 REP Bill Comparison	$ 0.1251	$ 125.10

Proposed Rates

	Charge	Amount
Total CEHE Charges	$ 0.04834	$ 48.34
Average Annual Rate - December 2018 REP Bill Comparison	$ 0.1251	$ 125.10

Total CEHE Charges Increase (Decrease)		$ 2.38
Total CEHE Charges Percentage Increase/ (Decrease)		5.19%
Per 1,000 kWh Increase (Decrease)		$ 0.00238
REP Proposed Average Annual Rate		$ 0.1275
Increase (Decrease) in REP Bill due to CEHE Charges		$ 127.49
Total Percent REP Bill Increase (Decrease)		1.91%

CenterPoint Monthly Bill
for Residential Customer
Using 1000 kWh per Month

As of 3/20/2019

Current Rates	Charge	Amount
Total CEHE Charges	$ 0.04596	$ 45.96
Average Annual Rate - December 2018 REP Bill Comparison	$ 0.1251	$ 125.10

Proposed Rates	Charge	Amount
Total CEHE Charges	$ 0.04818	$ 48.18
Average Annual Rate - December 2018 REP Bill Comparison	$ 0.1251	$ 125.10

Total CEHE Charges Increase (Decrease)	$	**2.23**
Total CEHE Charges Percentage Increase/ (Decrease)		**4.85%**
Per 1,000 kWh Increase/ (Decrease)	$	**0.00223**
REP Proposed Average Annual Rate	$	**0.1273**
Increase/ (Decrease) in REP Bill due to CEHE Charges	$	**127.33**
Total Percent REP Bill Increase/ (Decrease)		**1.78%**

CenterPoint Monthly Bill
for Residential Customer
Using 1000 kWh per Month

As of 3/20/2019

Component	Charge	Amount	% of Total Bill	% of TDU Bill
Number of kWh		1,000		
Customer Charge				
Metering Charge				
AMS				
Energy Efficiency Cost Recovery Factor (EECRF)	$0.000665	$0.67	0.53%	1.3[illegible]%
Rider Solar (SOLRP Rider)				
Transmission System Charge				
Distribution System Charge				
Hurricane Surcharge				
Transmission Cost Recovery Factor (TCRF)	$0.000000	$0.00	0.00%	0.00%
Nuclear Decommissioning Charge	$0.000003	$0.00	0.00%	0.01%
Transition Charge 1				
Transition Charge 2	$0.002708	$2.71	2.16%	5.60%
Transition Charge 3	$0.000346	$0.35	0.28%	0.72%
Transition Charge 5	$0.001946	$1.95	1.56%	4.03%
Base Rate Revenues				
System Restoration Charge (Hurricane Ike)	$0.001126	$1.13	0.90%	2.33%
Accumulated Deferred Federal Income Tax Credit (Hurricane Ike)	($0.000137)	($0.14)	-0.11%	-0.28%
Base Rate Revenues Subject to Surcharge				
Distribution Cost Recovery Factor (DCRF) 2015	$0.000000	$0.00	0.00%	0.00%
Distribution Cost Recovery Factor (DCRF) 2016 Incremental Increase	$0.000000	$0.00	0.00%	0.00%
Distribution Cost Recovery Factor (DCRF) 2017 Incremental Decrease	$0.000000	$0.00	0.00%	0.00%
Distribution Cost Recovery Factor (DCRF) 2017 (AMS Recon.) Incremental Decrease	$0.000000	$0.00	0.00%	0.00%
Distribution Cost Recovery Factor (DCRF) 2018 (TCJA) Incremental Increase	$0.000000	$0.00	0.00%	0.00%
Distribution Cost Recovery Factor (DCRF) 2018 (TCJA Deferral)) Incremental Decrease	$0.000000	$0.00	0.00%	0.00%
Unprotected Excess Deferred Income Taxes (UEDIT)				
Total Base Related Charges (Customer, Metering, Trans. And Distr. Only)				
Total Bond Related Charges (TC, SRC, ADFITC)				
Total RCE Charges and UEDIT Refund				
Total Other Charges (AMS, EECRF, TCRF, SBF, NDC, DCRF)			% of Total Bill	
Total CEHE Charges	$0.048340	$48.34	38.64%	
Average Annual Rate - December 2018 REP Bill Comparison		$125.10		

CenterPoint Monthly Bill
for Residential Customer
Using 1000 kWh per Month

As of 3/20/2019

Component	Charge	Amount	% of Total Bill	% of TDU Bill
Number of kWh		1,000		
Customer Charge				
Metering Charge				
[redacted]				
Energy Efficiency Cost Recovery Factor (EECRF)	$0.000665	$0.67	0.53%	1.38%
[redacted]				
Transmission System Charge				
Distribution System Charge				
[redacted]				
Transmission Cost Recovery Factor (TCRF)	$0.000000	$0.00	0.00%	0.00%
Nuclear Decommissioning Charge	$0.000003	$0.00	0.00%	0.01%
[redacted]				
Transition Charge 2	$0.002708	$2.71	2.16%	5.62%
Transition Charge 3	$0.000346	$0.35	0.28%	0.72%
Transition Charge 5	$0.001946	$1.95	1.56%	4.04%
[redacted]				
System Restoration Charge (Hurricane Ike)	$0.001126	$1.13	0.90%	2.34%
Accumulated Deferred Federal Income Tax Credit (Hurricane Ike)	($0.000137)	($0.14)	-0.11%	-0.28%
[redacted]				
Distribution Cost Recovery Factor (DCRF) 2015	$0.000000	$0.00	0.00%	0.00%
Distribution Cost Recovery Factor (DCRF) 2016 Incremental Increase	$0.000000	$0.00	0.00%	0.00%
Distribution Cost Recovery Factor (DCRF) 2017 Incremental Decrease	$0.000000	$0.00	0.00%	0.00%
Distribution Cost Recovery Factor (DCRF) 2017 (AMS Recon.) Incremental Decrease	$0.000000	$0.00	0.00%	0.00%
Distribution Cost Recovery Factor (DCRF) 2018 (TCJA) Incremental Increase	$0.000000	$0.00	0.00%	0.00%
Distribution Cost Recovery Factor (DCRF) 2018 (TCJA Deferral) Incremental Decrease	$0.000000	$0.00	0.00%	0.00%
Unprotected Excess Deferred Income Taxes (UEDIT)				

Total Base Related Charges (Customer, Metering, Trans. And Distr. Only)		[redacted]	
Total Bond Related Charges (TC, SRC, ADFITC)		[redacted]	
Total RCE Charges and UEDIT Refund		[redacted]	
Total Other Charges (AMS, EECRF, TCRF, SBF, NDC, DCRF)		[redacted]	% of Total Bill
Total CEHE Charges	$0.048182	$48.18	38.51%
Average Annual Rate - December 2018 REP Bill Comparison	[redacted]	$125.10	

Removal of Issues Not to be Addressed from Direct Testimony of Julienne P. Sugarek

TABLE OF CONTENTS

EXECUTIVE SUMMARY OF JULIENNE P. SUGAREK

CenterPoint Energy Houston Electric, LLC's ("CenterPoint Houston" or the "Company") Power Delivery Solutions division is responsible for facilitating the interconnection process for customers and generators on both the transmission and distribution system, advising distribution customers on power quality solutions, providing design for installations on the distribution system, interfacing with customers to address changing electrical service needs, and responding to service concerns.

My testimony:

- describes the structure and functions of the Power Delivery Solutions division;
- supports the reasonableness and necessity of Operations and Maintenance ("O&M") costs incurred by the Power Delivery Solutions division during the 2018 test year in the amount of $8.8 million;
- describes Power Delivery Solution's major programs and initiatives; and
- supports the Company's reques[redacted] to modify CenterPoint Houston's tariffs to facilitate the interconnection of Distributed Energy Resources [redacted].

Together with the cost of service data and testimony of the Company's other witnesses, my testimony and supporting materials demonstrate that the test year O&M expenses for Power Delivery Solutions are reasonable, necessary, and representative of the costs to provide service to customers of CenterPoint Houston and, thus, should be included in the Company's cost of service.

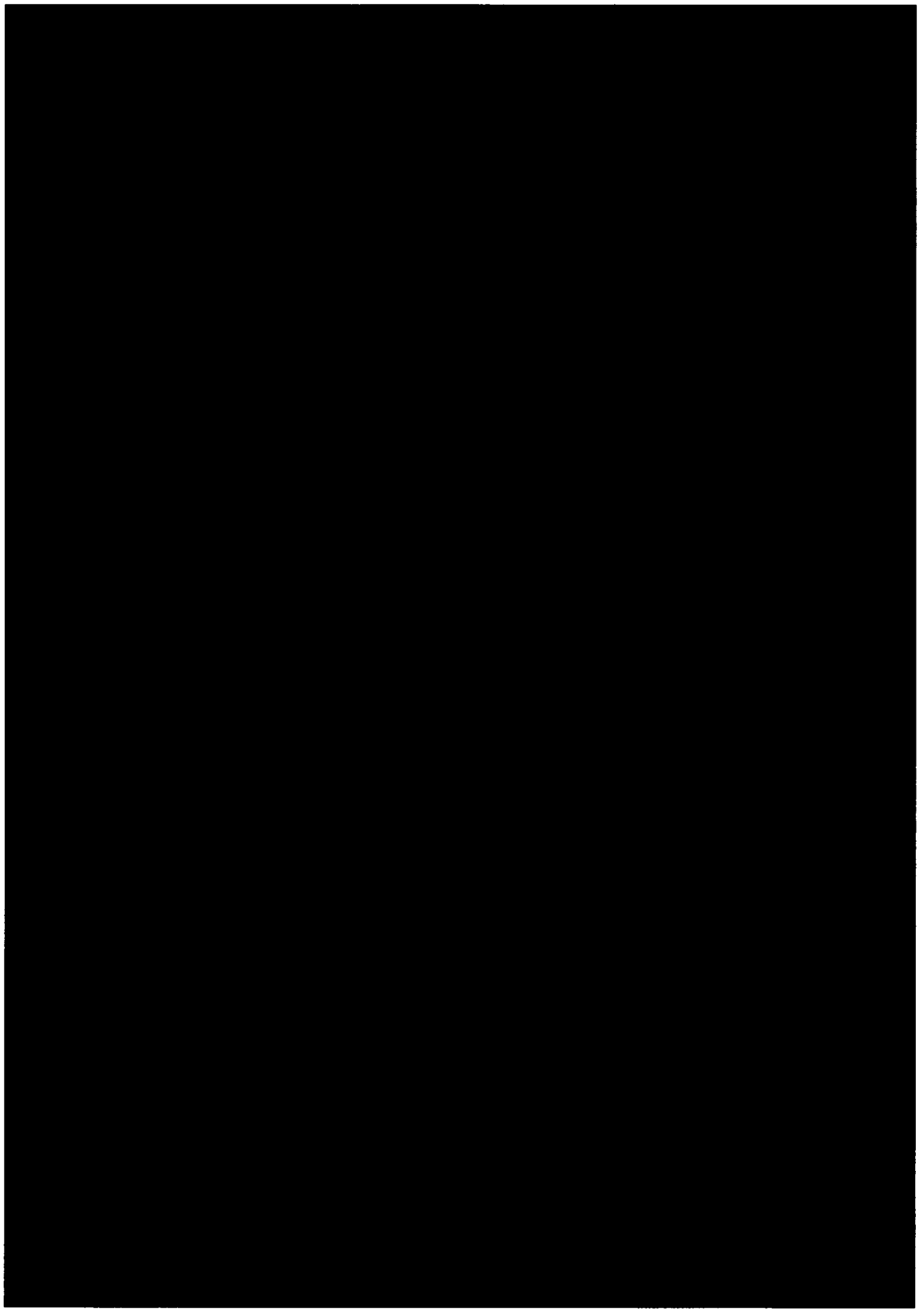
investment in the Company's transmission, substation, and major underground assets since January 1, 2010 and demonstrates that the capital and test year O&M costs associated with the Company's transmission and substation facilities are reasonable and necessary. Each of these testimonies explains major reliability and maintenance programs for which the witness is responsible.

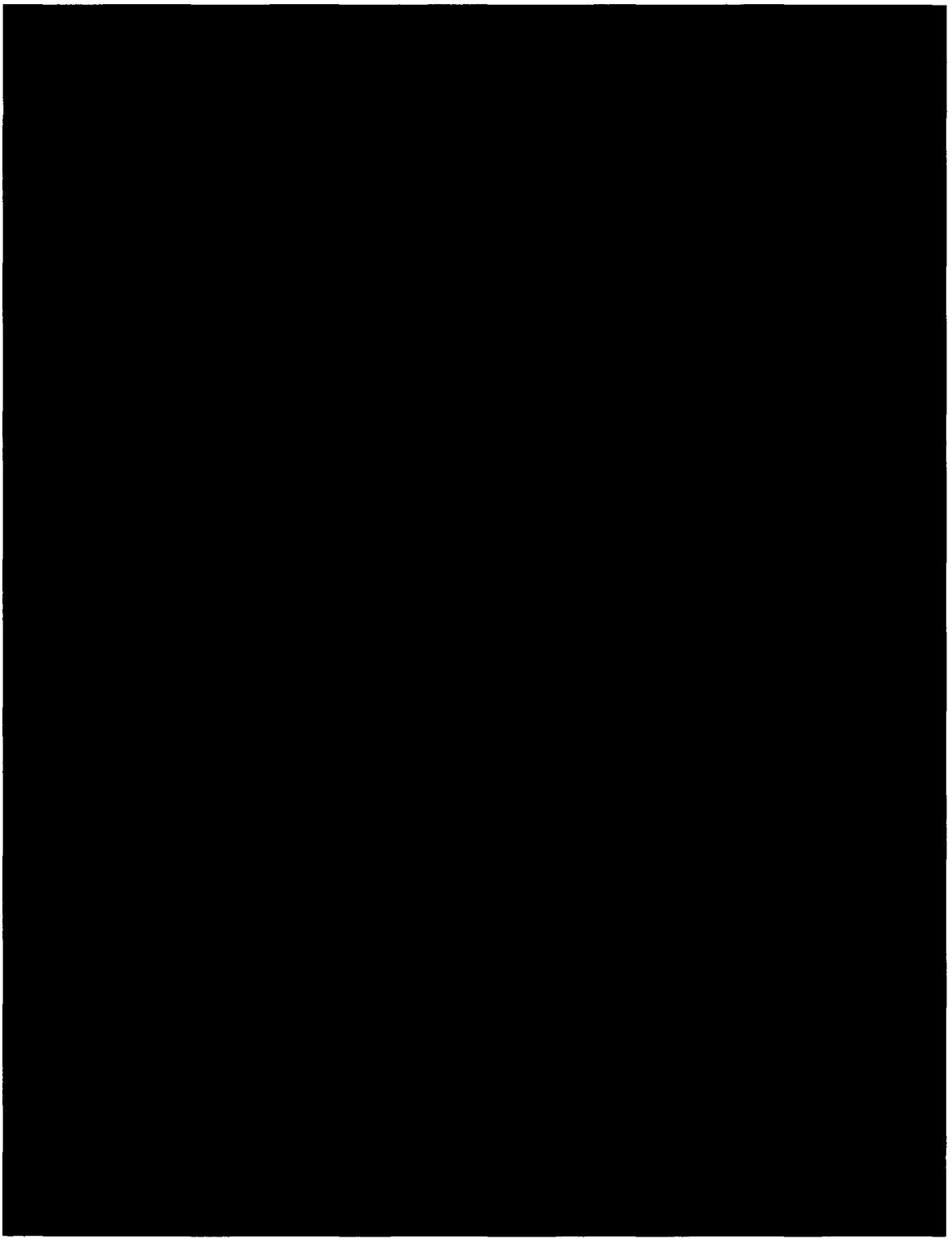
Company witness Michelle M. Townsend discusses allocated costs associated with the regulated support organizations and CenterPoint Energy Service Company, LLC. Company witness Kristie L. Colvin provides testimony on the Company's overall planning and budgeting process and cost of service adjustments. [redacted]

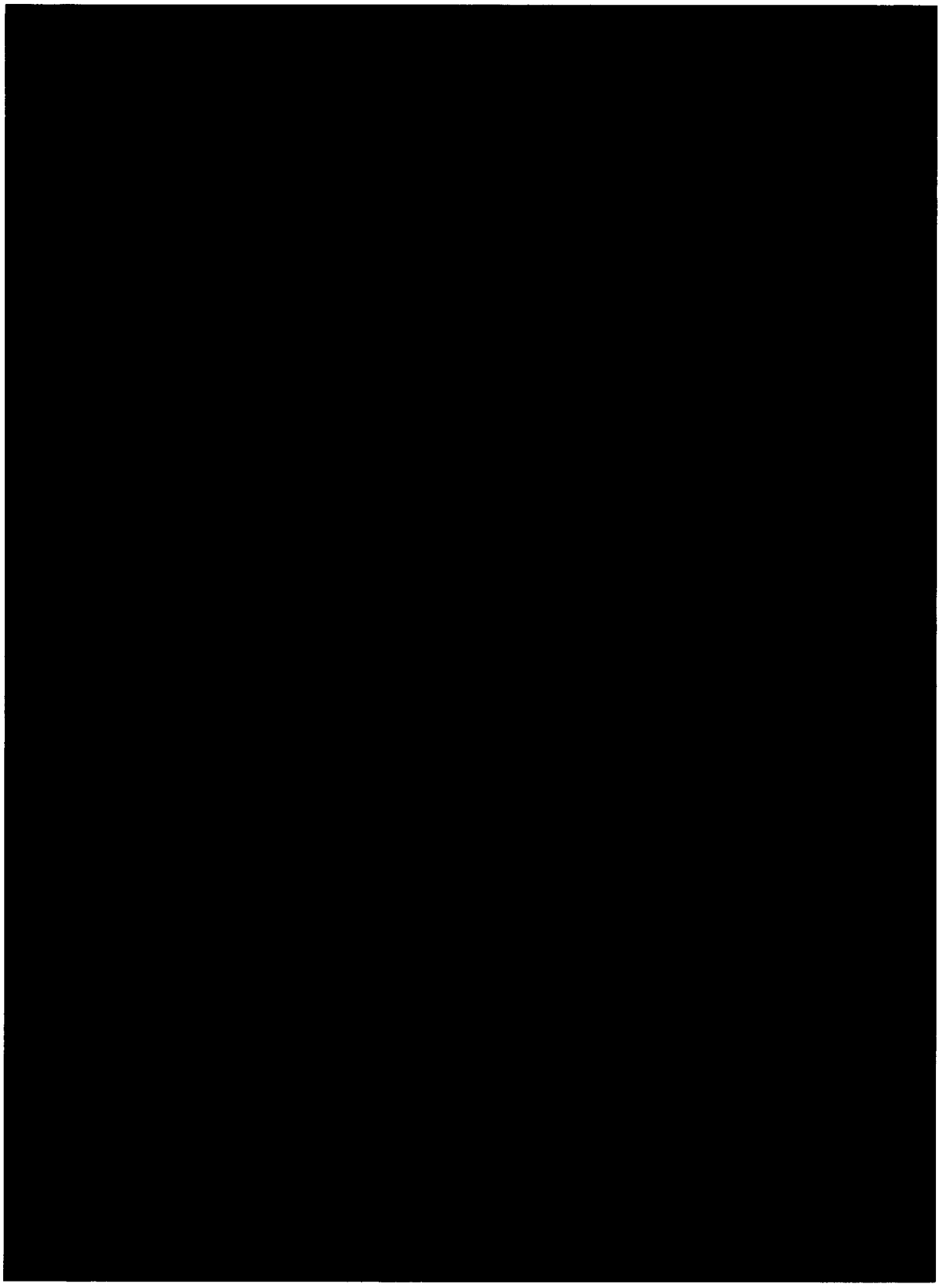
II. DESCRIPTION OF POWER DELIVERY SOLUTIONS

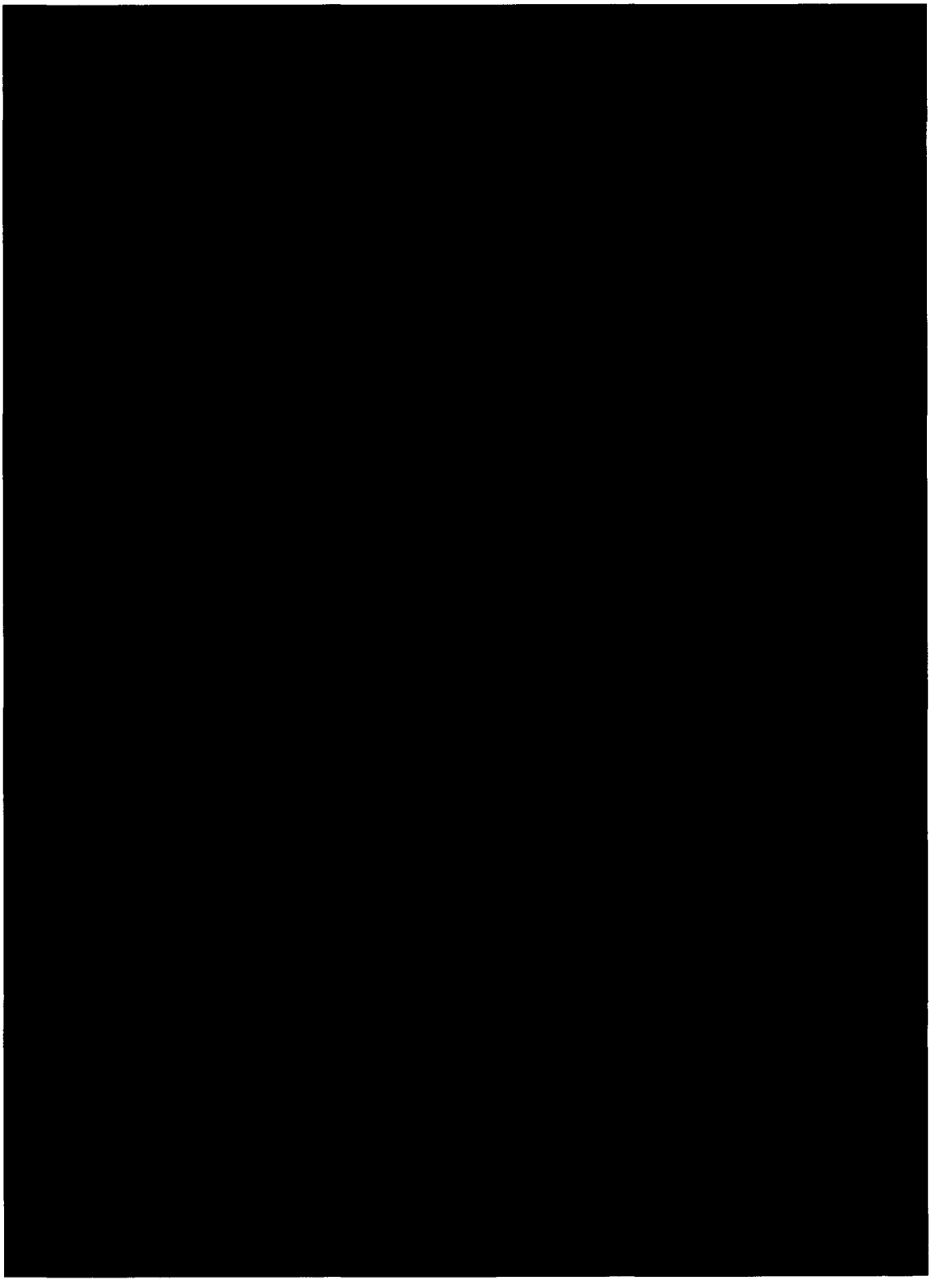
Q. PLEASE DESCRIBE THE POWER DELIVERY SOLUTIONS DEPARTMENT'S PRIMARY FUNCTION AND OBJECTIVES.

A. Power Delivery Solutions division is responsible for facilitating the interconnection process for customers and generators on both the transmission and distribution system, advising distribution customers on power quality solutions, providing design and project support for installations on the distribution system, and interfacing with customers to address changing electrical service needs and responding to service concerns.









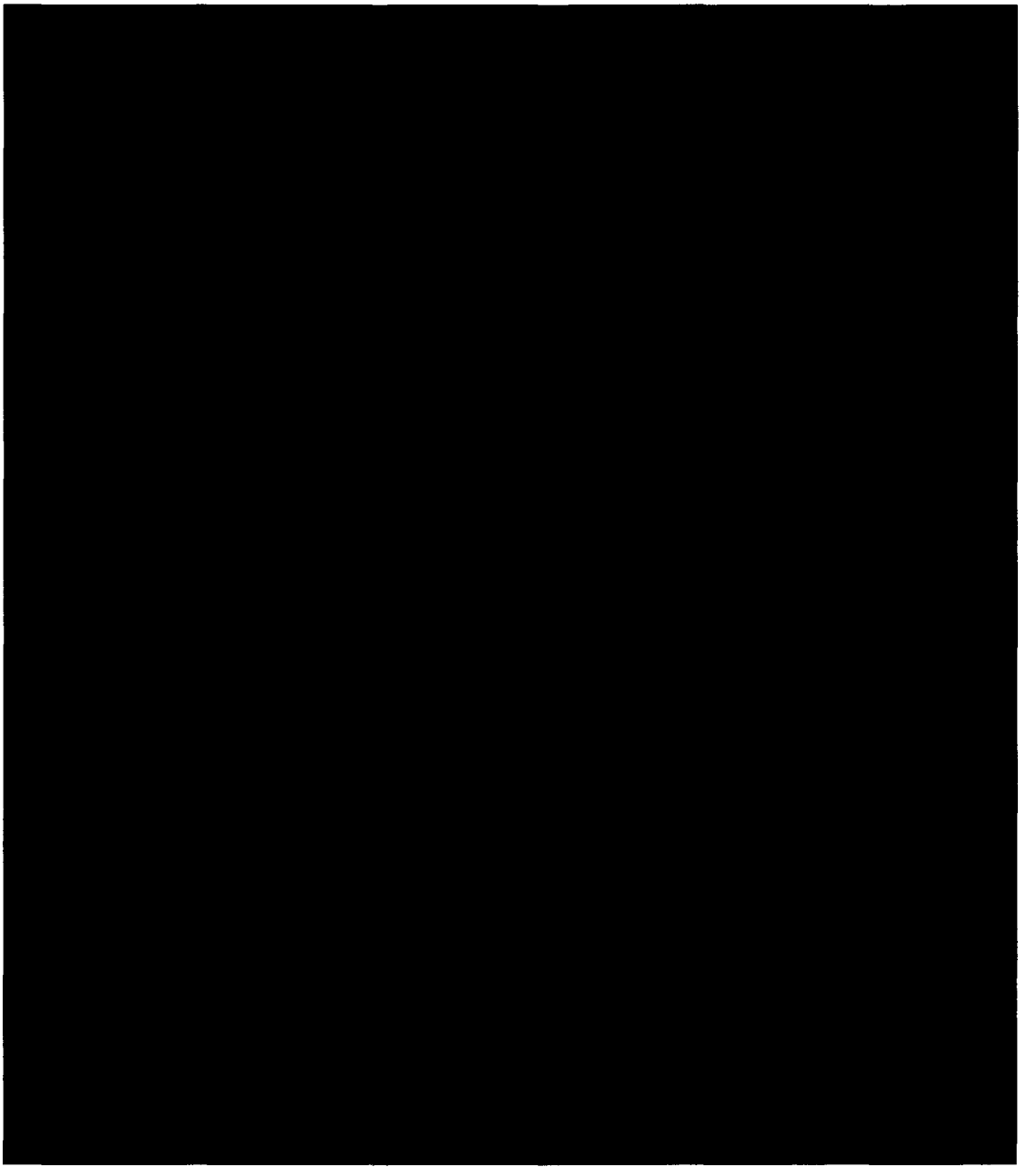
[redacted]

VI. DISTRIBUTED ENERGY RESOURCE TECHNOLOGY

Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE DER INTERCONNECTION PROCESS?

A. Yes. The Company is chiefly concerned with the safety and reliability of the grid for all its customers while actively seeking solutions to facilitate the interconnection of DER. Currently, the Company requires transfer trip anti-islanding protection for all generators over 2MW connected to the distribution system. The Company also requires transfer trip anti-islanding protection for distribution connected generators greater than 300kW but less than or equal to 2MW if the generator creates an islanding risk as determined by the Company's pre-interconnection study. Going forward, the Company seeks the flexibility to offer additional islanding protection

solutions. In the short-term, this will allow the Company to offer reverse power flow in lieu of transfer trip for distribution connected generators greater than 300kW but less than or equal to 2MW, if the solution is more cost effective and offers equal protection of Company assets. Please see the direct testimony of Mr. Troxle.



[redacted]

[redacted]

[redacted]

VIII. REQUEST TO MODIFY THE COMPANY'S LIGHTING SERVICES POLICY

Q. PLEASE DESCRIBE THE LIGHTING SERVICES CENTERPOINT HOUSTON PROVIDES.

A. Lighting Services are available to cities, governmental agencies, real estate

~~installation is not possible or cost effective.~~ Please see the direct testimony of Mr. Troxle for the tariff language proposed by the Company.

IX. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. For the test year, the Power Delivery Solutions division O&M expenditures were $8.8 million. The O&M expenditures incurred by the Power Delivery Solutions division during the test year are reasonable and necessary expenses that should be recovered in the Company's rates. My testimony demonstrates that the Power Delivery Solutions division is properly structured to accomplish the goal of providing a reliable power delivery system at a reasonable cost. Costs associated with this organization are effectively managed and maintained at reasonable levels through the entire process of business planning, budget plan review and ongoing budget plan monitoring. These costs are reasonable, prudent and necessary. Moreover, the activities performed by the Power Delivery Solutions division are a reasonable and necessary part of providing electric utility service. Finally, the Company requests approval of its proposals related to [redacted] DER interconnections, [redacted] and street lighting services.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

JULIENNE P. SUGAREK WORKPAPERS:

[redacted]

WP JPS-3-CONFIDENTIAL DER map.pdf

WP JPS-1 and WP JPS-2,
Bates Pages 690-761,
have been withdrawn.

Removal of Issues Not to be Addressed and Errata 1 to Direct Testimony of Kristie L. Colvin

LIST OF EXHIBITS

Exhibit KLC-01	Schedules Sponsored or Co-Sponsored by Kristie L. Colvin
Exhibit KLC-02	Business Records Affidavit
Exhibit KLC-03a	Retail Revenue Requirement Adjustments to Test Year Amounts
Exhibit KLC-03b	Retail Revenue Requirement Adjustments to Test Year Amounts – Explanations
Exhibit KLC-04	Workers' Compensation Reserve Study **(Confidential)**
Exhibit KLC-05	Auto and General Insurance Reserve Study **(Confidential)**
Exhibit KLC-06	Supported Retail and Wholesale Revenue Requirement
Exhibit KLC-07	Total Supported Retail Rate Base
Exhibit KLC-08a	Retail Rate Base Adjustments to Test Year Amounts
Exhibit KLC-08b	Retail Rate Base Adjustments to Test Year Amounts – Explanations
Exhibit KLC-09	Prepaid Asset Balance Since Docket No. 38339
Exhibit KLC-10	Supported Rate of Return
Exhibit KLC-11	Capitalization Policy
Exhibit KLC-12	Senate Bill 1693 Enrolled Bill Analysis

GLOSSARY OF ACRONYMS AND DEFINED TERMS (cont'd)

Acronym/Defined Term	Meaning
[redacted]	[redacted]
EDIT	Excess Deferred Income Tax
EE	Energy Efficiency
EECRF	Energy Efficiency Cost Recovery Factor
EPIS	Electric Plant in Service
ERCOT	Electric Reliability Council of Texas
EVP	Executive Vice President
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FERC USOA	FERC Uniform System of Accounts
FICA	Federal Insurance Contributions Act
GAAP	Generally Accepted Accounting Principles
LED	Light Emitting Diode
LTI	Long-term Incentive
M&S	Materials & Supplies
O&M	Operations and Maintenance
OPEB	Other Post-Employment Benefit
PHFU	Plant Held for Future Use
PURA	Public Utility Regulatory Act
RCE	Rate Case Expense
REP	Retail Electric Provider

EXECUTIVE SUMMARY OF KRISTIE L. COLVIN

I sponsor the books and records of CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston" or the "Company"), which have been prepared in accordance with the requirements of the Public Utility Commission of Texas. My testimony supports the Company's cost of service for total transmission and distribution operations, including rate base. I sponsor the accounting schedules, and co-sponsor schedules related to affiliate expense, salaries and benefits, [redacted] I also support the reasonableness and necessity of certain CenterPoint Energy Service Company, LLC ("Service Company") Executive Management services, Accounting, and certain financial corporate support services. I also support the reasonableness and necessity of Reporting and Performance and certain accounting transaction costs incurred directly by the Company.

My testimony and supporting materials:

- show the Company's cost of service and rate base are reasonable and necessary;
- itemize and explain all test year adjustments to arrive at the final requested amounts reflected in my testimony, exhibits, and schedules;
- support an overall rate of return of 7.39% and return on investment of ~~$479.1~~ ^$474.1 million to be included in the revenue requirement;
- demonstrate the reasonableness and necessity of certain Service Company Executive Management functions and the Chief Accounting Organization services provided to CenterPoint Houston; and
- demonstrate the reasonableness and necessity of Reporting and Performance and certain accounting transaction costs incurred directly by the Company.

As shown in my testimony, workpapers, and exhibits, as well as the testimony of other Company witnesses, the Company's filing supports an increase in its base rates charged to competitive retailers for delivery service to Texas retail customers as well as a decrease in its rates charged to Texas wholesale transmission customers.

in maintaining electric utility plant used by and useful to the electric utility in providing such service to the public." The Company adjusted its test-year data for non-recurring expenses, non-allowable charges, adjustments required by 16 TAC § 25.231, known and measurable changes and normalizing certain amounts. The adjustments are each shown in Exhibit KLC-03a and are discussed below.[3] Explanations are provided on Exhibit KLC-03b. The adjusted O&M expense was then functionalized as required by RFP General Instruction No. 11. Please see Schedule II-F for additional description and calculations of the functionalization factors. The adjusted test year O&M costs total ~~$919.4~~ ^$921.9 million and are presented on Schedule II-D-1.

1. Energy Efficiency

Q. DID THE COMPANY MAKE ANY ADJUSTMENTS FOR ENERGY EFFICIENCY COSTS?

A. Yes. As required by 16 TAC § 25.181(f)(2), energy efficiency costs are recovered through a separate energy efficiency cost recovery factor ("EECRF") tariff, and as such, are removed from the Company's test year cost of service in the EECRF adjustment.[4]

[3] *See* Section II.A.1 through A.10.
[4] *See* WP/II-D-1 Adj 1 for the EECRF adjustment.

5. Transmission of Electricity by Others

Q. WHAT IS THE TOTAL TEST YEAR AMOUNT FOR FERC ACCOUNT 5650 TRANSMISSION OF ELECTRICITY BY OTHERS?

A. The total test year amount of transmission of electricity by third-party transmission service providers is ~~$546.6~~ ^$549.0 million. This is the net transmission expense that remains after third-party payments to the Company are taken into account.

Q. WHAT WAS THE TOTAL TEST YEAR AMOUNT FOR FERC ACCOUNT 5650 TRANSMISSION OF ELECTRICITY BY OTHERS, IN DOCKET NO. 38339, THE COMPANY'S LAST BASE RATE PROCEEDING?

A. The total test year amount of transmission of electricity by others was $202.5 million in Docket No. 38339. This was the net transmission expense that remained after third-party payments to the Company were taken into account.

Q. PLEASE DESCRIBE THE ADJUSTMENT TO FERC ACCOUNT 5650, TRANSMISSION OF ELECTRICITY BY OTHERS.

A. On November 30, 2018, Commission Staff filed its Petition to Set 2019 Wholesale Transmission Service Charges for ERCOT.[12] According to the FERC USOA, Account 5650, "includes amounts payable to others for the transmission of the utility's electricity over transmission facilities owned by others."[13] The adjustment to FERC Account 5650 in the Transmission Cost of Service ("TCOS") adjustment[14] reflects the known and measurable change in the current year's four coincident peak

[12] *Commission Staff's Petition to Set 2019 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*, Docket No. 48928.
[13] Code of Federal Regulations 18 – Conservation of Power and Water Resources, Subchapter C – Accounts, Federal Power Act, Part 101 – Uniform System of Accounts.
[14] *See* WP/II-D-1 Adj 6 for the TCOS adjustment.

Q. HAS THE COMPANY ADJUSTED ITS EMPLOYEE BENEFIT EXPENSE?

A. Yes. The Company is proposing to update its test-year expenses for pension and other post-employment benefit ("OPEB") expense to reflect actual annual expenses as determined by the 2019 actuarial studies included as attachments to Schedule II-D-3.8.1. This Benefits adjustment results in a decrease of ~~$8.3~~ million ^ and Schedule II-D-3.9.1 ^$9.0 in pension and OPEB expense for the test year and has been functionalized to payroll.[30] The Company also included an adjustment to benefit expense of $0.2 million resulting from the salaries and wages and STI adjustments discussed previously in my testimony.[31]

6. Non-recoverable Costs

Q. PLEASE DESCRIBE THE ADJUSTMENT TO A&G TEST YEAR COSTS FOR NON-RECOVERABLE COSTS.

A. The adjustment for non-recoverable costs removes $0.2 million in costs that are not recoverable through rates under 16 TAC § 25.231(b)(2).[32]

7. Employee Expenses

Q. PLEASE DESCRIBE THE EMPLOYEE EXPENSES ADJUSTMENT IN A&G FOR THE TEST YEAR.

A. The Company is making an adjustment to remove certain employee-related travel, meals, and lodging costs and other employee expenses that are not being requested for recovery. Employee expenses were reviewed and analyzed in accordance with 16 TAC § 25.231(b)(1) for allowable expenses and subsection (b)(2) for

[30] *See* WP/II-D-2 Adj 6 for the Benefits adjustment.
[31] *See* Section III.A.4, Affiliate and Direct Wages.
[32] *See* WP/II-D-2 Adj 7 for the Non-Recoverable adjustment.

Q. WHAT ADJUSTMENT DID THE COMPANY MAKE TO TRANSPORTATION DEPRECIATION EXPENSE?

A. The test year adjustment for transportation depreciation is a decrease to operations expense of $1.0 million.[52] This amount is based on the adjusted test year balance of transportation assets using the depreciation rates proposed in the Depreciation Study Mr. Watson prepared. This is the same methodology the Company used in Docket No. 38339.

Q. WHAT IS THE TOTAL ADJUSTED TEST YEAR DEPRECIATION EXPENSE REQUESTED IN THIS CASE?

A. The Company's adjusted depreciation expense for the test year is ~~$312.0~~ ^$316.3 million. This excludes amortization of items discussed below in the Amortization of Property section of my testimony.

Q. HOW HAS DEPRECIATION EXPENSE BEEN FUNCTIONALIZED?

A. Depreciation expense has been functionalized in the same manner as the assets that are being depreciated.

E. Amortization of Property

Q. WHAT IS THE DIFFERENCE BETWEEN DEPRECIATION AND AMORTIZATION?

A. According to CFR Title 18, Part 101, depreciation is defined as:

> the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes that are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given

[52] *See* WP/II-D-1 Adj 2 and WP/II-D-2 Adj 2 for the Transportation Depreciation adjustment.

regulatory assets and liabilities, the Company proposes a three-year amortization period for Hurricane Harvey costs. This amortization period results in an adjustment of ~~$21.5~~ ^$24.4 million and has been functionalized to Distribution.[61]

2. Hurricane Ike

Q. PLEASE DESCRIBE THE REGULATORY LIABILITY RELATED TO HURRICANE IKE.

A. In Docket No. 36918, the Company was authorized to recover reasonable and necessary Hurricane Ike restoration costs incurred through February 28, 2009 plus carrying costs.[62] In the final order, the Commission ordered the Company to defer other sources of funding that compensate the Company for Hurricane Ike costs received after issuance of the financing order.[63] In 2017, the Company received a sales tax refund covering the time during which the Hurricane Ike restoration costs were incurred. Applicable amounts were then deferred to the regulatory liability to be returned to customers.

Q. DID THE COMPANY INCUR COSTS RELATED TO HURRICANE IKE RESTORATION AFTER FEBRUARY 28, 2009?

A. Yes. The Company incurred $2.0 million of trailing costs related to Hurricane Ike for legal claims and outside attorney fees.

[61] *See* WP/II-E-4.1 for Adj 1 Harvey Amortization adjustment.
[62] *Application of CenterPoint Energy Houston Electric, LLC for Determination of Hurricane Restoration Costs,* Docket No. 36918, Final Order at Finding of Fact 15 (Aug. 14, 2009).
[63] *Id.* at Finding of Fact 22.

Q. DOES THE COMPANY'S INCOME TAX EXPENSE AMOUNT INCLUDE ALL NECESSARY CHANGES AS A RESULT OF THE TAX CUTS AND JOBS ACT OF 2017 ("TCJA")?

A. Yes. As Mr. Pringle discusses in his direct testimony, the Company's test year tax expense amounts reflect all changes that were required by the TCJA.

I. Taxes Other Than Federal Income Tax

Q. PLEASE DESCRIBE THE COMPONENTS OF TAXES OTHER THAN INCOME TAXES ("OTHER TAXES") INCLUDED IN THE COST OF SERVICE.

A. Other Taxes include employment-related taxes, ad valorem (or property) taxes, revenue related Texas margin tax, and municipal franchise fees, all of which are recorded to FERC Account 4081. For these components, as shown on Schedule II-E-2, a total of ~~$278.3~~ ^$278.9 million has been recorded for the adjusted test year.

Q. HAVE OTHER TAXES BEEN ADJUSTED?

A. Yes. Adjustments have been made to employment-related taxes, ad valorem (or property) taxes, sales and use tax, municipal franchise fees and Texas margin taxes for a total adjustment of ~~$9.4~~ ^$10.1 million. I discuss each of the adjustments in more detail below.

Q. WHAT ARE EMPLOYMENT-RELATED TAXES?

A. Employment-related taxes are taxes assessed to a company based on an employee's earnings or payroll, such as Federal Insurance Contributions Act ("FICA") and Federal Unemployment Tax. These are shown on Schedule II-E-2.

Q. PLEASE EXPLAIN THE ADJUSTMENT TO EMPLOYMENT-RELATED TAXES.

A. As noted above, several adjustments were made to direct wages.[81] These adjustments have a corresponding impact on employment-related taxes that are based on employee earnings. Please see the FICA Adjustment workpaper, which calculates the test year impact of $8,431 for FICA taxes.[82] The FICA adjustment has been functionalized following the underlying payroll functionalization. A payroll related taxes adjustment has also been made to remove EECRF costs as they are recovered through a separate EECRF tariff.[83]

Q. WHAT ARE AD VALOREM (OR PROPERTY) TAXES?

A. Ad valorem or property taxes are the taxes assessed to a property owner annually based on the assessed value of the property.

Q. PLEASE EXPLAIN THE ADJUSTMENT TO AD VALOREM (OR PROPERTY) TAXES.

A. Ad valorem tax expense has been adjusted to reflect the difference between the amount accrued during the test year and the actual amounts paid for the 2018 calendar year and to reflect an expected increase in ad valorem taxes for 2019. These items result in an adjustment of ~~$6.1~~ ^$6.2 million. Please see the direct testimony of Company witness Justin J. Hyland for information on ad valorem taxes and the Ad Valorem Tax adjustment.[84]

[81] *See* Sections III.A.4, Affiliate and Direct Wages and III.B.4, Affiliate and Direct Wages.
[82] *See* WP/II-E-2 Adj 1 for the FICA adjustment.
[83] *See* WP/II-E-2 Adj 6 for the EECRF adjustment.
[84] *See* WP/II-E-2 Adj 3 the Ad Valorem Tax Adjustment.

Q. HOW HAVE PROPERTY TAXES BEEN FUNCTIONALIZED?

A. Property taxes have been functionalized based upon net general plant, as discussed by Mr. Hyland in his direct testimony.

Q. WHAT ARE MUNICIPAL FRANCHISE FEES?

A. Municipal franchise fees are payments the Company makes to a city, based on a municipal franchise ordinance, in exchange for certain rights from the city, such as the right to use the city's public rights-of-way to install, use, and maintain utility poles, transmission and distribution lines, and other equipment necessary to provide service.

Q. PLEASE EXPLAIN THE ADJUSTMENT TO MUNICIPAL FRANCHISE FEES.

A. Municipal franchise fee expense has been adjusted to reflect the difference between the amount accrued during the test year and the amounts expected to be accrued in 2019. Municipal franchise fees totaled $150.8 million during the test year. The 2019 estimate is based on revised franchise contracts. These items result in an adjustment of ~~$2.0~~ ^$2.5 million. Please see the direct testimony of Company witness M. Shane Kimzey for information on municipal franchise fees and the Municipal Franchise Fee adjustment.[85]

Q. HOW HAVE MUNICIPAL FRANCHISE FEES BEEN FUNCTIONALIZED?

A. Municipal franchise fees have been functionalized based on total Distribution.

[85] *See* WP/II-E-2 Adj 4 the Municipal Franchise Fee Adjustment.

Q. HOW ARE MISCELLANEOUS SERVICE REVENUES FUNCTIONALIZED?

A. Miscellaneous service revenues are directly assigned.

Q. PLEASE DESCRIBE THE ADJUSTMENTS TO OTHER ELECTRIC REVENUES.

A. Other Electric Revenues are adjusted for items that are collected through separate tariffs or riders such as EECRF,[92] AMS,[93] Transmission Cost Recovery Factor ("TCRF"),[94] DCRF,[95] Accumulated Deferred Federal Income Tax ("ADFIT") Credit, System Restoration and Transition Bonds,[96] all of which are removed from the test year balances. The recognition of the energy efficiency bonus has also been removed based on the requirements in 16 TAC § 25.181. Adjustments have also been made to remove the revenues being returned to customers related to the TCJA.[97]

Q. PLEASE DESCRIBE THE ADJUSTMENTS TO REVENUES FROM TRANSMISSION OF ELECTRICITY OF OTHERS.

A. TCOS revenues are removed from the non-operating revenue adjustment because this amount is collected through a separate tariff.[98]

Q. WHAT IS THE TOTAL ADJUSTED NON-ELECTRIC REVENUES?

A. The total adjusted non-electric revenues included in the cost of service is ~~$66.1~~ ^$67.9 million as shown on Schedule II-E-5.

[92] *See* WP II-E-5.1 for Adj 1 EECRF & EE Bonus adjustment.
[93] *See* WP II-E-5.1 for Adj 2 AMS adjustment.
[94] *See* WP II-E-5.1 for Adj 3 TCRF adjustment.
[95] *See* WP II-E-5.1 for Adj 4 DCRF adjustment.
[96] *See* WP II-E-5.1 for Adj 6 System Restoration & Other Bond Companies adjustment.
[97] *See* WP II-E-5.1 for Adj 5 TCJA adjustment.
[98] *See* WP/II-E-5.1 for Adj 7 Transmission of Electricity of Others adjustment.

IV. RATE BASE

Q. WHAT COMPONENTS OF RATE BASE ARE INCLUDED IN THE COMPANY'S FILING?

A. 16 TAC § 25.231(c)(2) defines rate base interchangeably with invested capital. The rule defines invested capital as "a major component of the original cost of plant, property, and equipment, less accumulated depreciation, used and useful in rendering service to the public." Rate base primarily consists of the Company's investment in distribution and transmission system assets and related intangible and general plant assets that make up the original cost of utility plant, general plant and communication equipment, used and useful in providing utility service to the public. These items are designated as "plant" or Electric Plant in Service ("EPIS"). Plant is reduced by accumulated depreciation and amortization to arrive at net plant in service. Other rate base items include plant held for future use ("PHFU"), accumulated provisions (except ADFIT), ADFIT, materials and supplies, cash working capital, prepayments and other rate base items. The Company's total requested rate base is approximately ~~$6.5~~ ^$6.4 billion. The individual rate base components are described below and can be seen on Schedule II-B and Exhibit KLC-07. In addition, adjustments to rate base are shown on Exhibit KLC-08a and explanations of the adjustments are provided on Exhibit KLC-08b. I address rate base adjustments below.

A. Electric Plant in Service

Q. PLEASE DESCRIBE EPIS.

A. EPIS is the capitalized expenditure for assets used and useful for the transmission and distribution of electricity within the Company's service territory. The

G. Electric Plant Held for Future Use

Q. WHAT IS ELECTRIC PHFU?

A. PHFU costs are accounted for in FERC Account 105, Electric Plant Held for Future Use, and represent the original cost for electric plant owned assets that are held for future use to provide electric service under a definite plan for such use.

Q. WHAT TOTAL AMOUNT OF ASSETS ARE INCLUDED AS PHFU?

A. PHFU assets for the Company totaled $11.4 million for the test year, as recorded in FERC Account 105 and shown on Schedule II-B-6. For each asset, the expected date of use and function of the asset was reviewed and assigned. Of the total assets recorded to FERC Account 105, ~~$1.1~~ ^$0.9 million is expected to be used by the utility in the next 10 years. Of the ~~$1.1~~ ^$0.9 million of PHFU, $0.9 million is related to the recently completed Brazoria Service Center. The remaining amount relates primarily to land designated for substation use. The remaining assets totaling ~~$10.3~~ ^$10.5 million are not planned to be used and useful in the next 10 years, are shown on the Land Not Used in Next 10 Years adjustment,[120] and are not included in the Company's rate base.

Q. HOW ARE PHFU ASSETS FUNCTIONALIZED?

A. PHFU is functionalized based on the intended use of the asset.

[120] *See* WP/II-B-6 for Adj 1 Land Not Used in Next 10 Years adjustment.

Q. HAVE ANY ADJUSTMENTS BEEN MADE TO THE TEST YEAR FOR PROPERTY, AUTO AND GENERAL, AND WORKERS' COMPENSATION SELF-INSURANCE?

A. Yes. An adjustment has been made to remove items that are not related to the Property Self-Insurance Reserve.[121] No other adjustments have been made to the insurance test year-end reserve balances.

Q. HOW HAVE THE COMPANY'S SELF-INSURANCE RESERVES BEEN FUNCTIONALIZED?

A. The property self-insurance reserve has been functionalized to distribution, whereas, auto reserve is functionalized based on total gross plant in service, general reserve is functionalized based on net plant, excluding the general plant function, and workers' compensation is functionalized based on payroll.

2. Accumulated Deferred Federal Income Taxes

Q. WHAT IS THE TEST YEAR ADFIT AMOUNT INCLUDED IN THE FILING?

A. The Company's adjusted test year ADFIT balance is ~~$(893.2)~~ ^$(969.0) million. ADFIT amounts are recorded in FERC Accounts 2820 and 2830, net of FERC Account 190, as shown on Schedules II-B-7 and II-E-3.5.1. Based on 16 TAC § 25.231(c)(2)(C)(i), ADFIT is deducted from rate base. Mr. Pringle provides a description of ADFIT and further details regarding the calculation and treatment of ADFIT during the test year.

[121] *See* WP/II-B-7 for Adj 1 Non-Distribution Items adjustment.

Q. ARE THERE ANY ADFIT-RELATED BALANCES THE COMPANY DID NOT INCLUDE IN THIS FILING?

A. Yes. Please see Mr. Pringle's direct testimony for information on ADFIT related balances that the Company did not include in this filing.

Q. WERE ANY ADJUSTMENTS MADE TO THE TEST YEAR ADFIT BALANCE?

A. Yes. ADFIT was adjusted by ~~$129.0~~ ^$53.1 million as shown on Schedule II-B-7 and is discussed in the direct testimony of Mr. Pringle.

Q. HOW HAS ADFIT BEEN FUNCTIONALIZED FOR THE TEST YEAR?

A. ADFIT is functionalized based on the related assets and liabilities that give rise to the tax timing differences.

I. Materials & Supplies

Q. WHAT HAS THE COMPANY INCLUDED IN THIS FILING FOR MATERIALS & SUPPLIES ("M&S")?

A. Following the RFP General Instructions, the Company has included an M&S balance of $109.7 million for the adjusted test year, which is based upon a thirteen-month average. The balance is recorded in FERC Account 1540 and is shown on Schedule II-B-8.

Q. WERE THERE ANY ADJUSTMENTS IN THE THIRTEEN-MONTH AVERAGE M&S BALANCE?

A. No.

year-end customer deposit balances included in rate base are shown on Schedule II-B-11.

Q. HOW HAVE CUSTOMER DEPOSITS BEEN FUNCTIONALIZED?

A. Customer deposits have been directly assigned as shown on Schedule II-B-11.

M. Regulatory Assets and Liabilities

Q. PLEASE DESCRIBE THE COMPANY'S REGULATORY ASSETS AND LIABILITIES INCLUDED IN RATE BASE.

A. ASC 980, *Regulated Operations*, allows utilities with cost-based rates established by a regulator to defer or capitalize certain costs or obligations for future ratemaking treatment. The regulatory assets and liabilities requested as part of the adjusted test year rate base balance are related to costs for bad debt, Hurricane Harvey, expedited switching, SMT, TMT, protected EDIT, Medicare Part D Subsidy, ~~Benefit Restoration Plan liability and~~ the pension deferral liability.[131] With the exception of the protected EDIT and Benefit Restoration Plan liability, these items are described in detail above in my testimony.

Q. WHY IS IT APPROPRIATE TO INCLUDE PROTECTED EDIT IN RATE BASE?

A. As discussed in Mr. Pringle's direct testimony, protected EDIT was derived from ADFIT that was previously funded by customers. Therefore, the regulatory liability for protected EDIT should be included in rate base.

[131] *See* WP/II-B-11 Adj 8 Pension BRP & Postretirement Adjustment, WP/II-B-11 Adj 9 Interest Rate Hedge Reclass, WP/II-B-12 Adj 10 Interest Rate Hedge Rate Base Removal, WP/II-B-12 Adj 2 Hurricane Harvey, WP/II-B-12 Adj 8 Interest Rate Hedges, WP/II-B-12 Adj 9 Interest Rate Hedge Removal, and WP/II-B-12 Adj 10 Margin Tax Adjustment.

Q. WHY IS IT APPROPRIATE TO INCLUDE THE BENEFIT RESTORATION PLAN LIABILITY IN RATE BASE?

A. For the same reasons as I discussed above for the inclusion of the prepaid pension asset in prepayments, the benefit restoration plan associated with pension should also be included in rate base. The benefit restoration plan is currently a liability of $6.9 million.[132]

Q. HAS THE COMMISSION PREVIOUSLY APPROVED THE INCLUSION AND TREATMENT OF THESE TYPES OF REGULATORY ASSETS AND LIABILITIES IN RATE BASE?

A. Yes, specifically:

- Pension deferral costs were included in the Company's rate base in Docket No. 38339.[133]
- As noted above, deferred hurricane restoration costs were included in rate base in Docket No. 32093.[134]
- Expedited Switching costs were included in the Company's rate base in Docket No. 38339.[135]
- 16 TAC § 25.231(c)(2)(C)(i) explains that EDIT, which is a component of ADIT, is a rate base item.
- In Docket No. 47364, the Commission authorized the Company to defer SMT costs.[136]
- Texas margin tax treatment was approved in Docket Nos. 29526 and 38339.[137]

v WP/II-B-7 Adj 2 BRP

[132] *See* ~~WP/II-B-11 Adj 8 Pension BRP & Postretirement~~ Adjustment.
[133] Docket No. 38339, Order on Rehearing at Findings of Fact 60 for pension deferral and 66 for expedited switches (Jun. 23, 2011).
[134] Docket No. 32093, Final Order at Finding of Fact 78 (Sept. 5, 2006). *See* Section III.G.1.
[135] Docket No. 38339, Order on Rehearing at Findings of Fact 65 and 66 (Jun. 23, 2011).
[136] Docket No. 47364, Final Order at Finding of Fact 13(e) (Dec. 14, 2017).
[137] Docket No. 38339, Order on Rehearing at Findings of Fact 161-164 (Jun. 23, 2011); Docket No. 29526, Final Order at Findings of Fact 227-237 (Dec. 17, 2004).

- The Medicare Part D subsidy tax accrual and rate base treatment were approved in Docket No. 38339.[138]

- In Docket No. 46957, the Commission approved Oncor Electric Delivery Company LLC's inclusion of bad debt in rate base as a regulatory asset.[139]

Q. ARE THERE ANY REGULATORY ASSETS AND LIABILITIES ON THE COMPANY'S BOOKS AND RECORDS THAT HAVE NOT BEEN INCLUDED IN THE COMPANY'S REQUESTED RATE BASE IN THIS FILING?

A. Yes. The following assets or liabilities are either included in another docket, tariff, or are not earning a return: TCJA tax reform refund, EECRF, TCRF, AMS, AMS Opt Out,[140] ADFIT Credit, deferred rate case expenses, ARO, Hurricane Ike residual, EDIT Rider, and Tax Reg Assets.[141] Also, the Company is proposing to include unprotected EDIT in Rider UEDIT.

N. Interest Rate Hedging

Q. PLEASE DESCRIBE THE ACCOUNTING FOR THE COMPANY'S REQUEST TO INCLUDE A REGULATORY ASSET AND LIABILITY FOR INTEREST RATE HEDGE.

A. Accounting treatment for interest rate hedging is dependent on the hedge's "effectiveness." Hedge effectiveness is a reference to when the fair value or cash

[138] Docket No. 38339, Order on Rehearing at Finding of Fact 159A (Jun. 23, 2011).
[139] *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 46957, Final Order at Finding of Fact ~~53~~ 48 (Oct. 13, 2017).
[140] *See* WP/II-E-4.1 for Adj 6 Non-Standard Metering Amortization.
[141] *See* WP/II-B-11 for Adj 2 DCRF Tax Reform Refund, WP/II-B-11 for Adj 3 EECRF, WP/II-B-11 for Adj 4 TCRF, WP/II-B-11 for Adj 5 AMS, WP/II-B-11 for Adj 6 ADFIT Credit, WP/II-B-11 for Adj 7 Hurricane Ike Residual, WP/II-B-12 for Adj 1 AMS Reconciliation, WP/II-B-12 for Adj 3 AMS Opt Out, WP/II-B-12 for Adj 4 ADFIT Credit, WP/II-B-12 for Adj 5 RCE, WP/II-B-12 for Adj 6 EECRF, WP/II-B-12 for Adj 7 Asset Retirement Obligation, WP/II-B-12 for Adj 11 EDIT Rider, and WP/II-B-12 for Adj 12 Tax Reg Assets.

Q. WERE THERE ANY ADJUSTMENTS MADE TO DETERMINE THE COST OF DEBT?

A. Yes. The Company included interest rate hedge expenditures and gains in the cost of debt calculation, as shown on Schedule II-C-2.4 and II-C-2.4a. For additional information on interest rate hedges, see the direct testimony of Mr. McRae.

Q. ARE THERE ANY ADJUSTMENTS RELATED TO THE EQUITY COMPONENT OF THE RATE OF RETURN CALCULATION?

A. Yes. Equity is adjusted to match the proposed capital structure recommended by Mr. McRae .

Q. Return on Rate Base

Q. WHAT IS THE COMPANY'S REQUESTED RETURN ON RATE BASE FOR THE TEST YEAR?

A. Total requested return on rate base included in the cost of service for the adjusted test year is ~~$479.1~~ ^$474.1 million. Total rate base and return on rate base by function is shown on Schedule II-B and Exhibit KLC-07.

V. ERCOT WHOLESALE TRANSMISSION COST OF SERVICE

Q. HOW WERE THE TCOS SCHEDULES PREPARED FOR SECTION III OF THE RFP?

A. Section III represents all cost of service components that comprise the Company's Wholesale TCOS in ERCOT. Many of the Section III schedules are identical to the Section I and II schedules, except for O&M expense, which excludes the DSP incremental TCOS expense shown on Schedule II-D-1, the CWC asset on Schedule II-B-9 that reflects this same exclusion in determining the working capital, and

meter activities via both telephone and the internet. Because the department supports the Company's new construction and new meter activities, it is reasonable to assign the costs associated with this support to construction overhead as authorized by FERC.

Q. HOW DOES THE CALL CENTER DEPARTMENT CHARGE TIME TO CONSTRUCTION OVERHEAD?

A. Specific call center personnel are responsible for handling all communications related to new construction and new meters. These personnel are required to track the amount of time spent handling customers' inquiries. At the end of the week, each employee identifies the number of hours that were devoted to handling inquiries related to new construction and new meters and codes their time directly to applicable work orders. These work orders settle to construction overhead orders based on the actual monthly permit per builder count.

Once all charges are collected in construction overhead work orders, the accounting system allocates construction overhead charges to eligible construction work orders based on a percentage of the expenditures charged to that work order in CWIP.

[redacted]

[redacted]

E. Accounting for Leases

Q. PLEASE DISCUSS ASU NO. 2016-02, LEASES (TOPIC 842).

A. In 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASC 842"), which is guidance for the leases of property, plant, and equipment to "increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about [the] leasing arrangement" effective for the first fiscal year after December 15, 2018.[149] Under ASC 842, a lessee will recognize a right of use ("ROU") asset and lease liability on the balance sheet for obligations related to lease arrangements with terms of more than 12 months. The lessor accounting is substantially the same as it was prior to the release of ASC 842. FASB noted that operating leases, in addition to finance leases, are to be reported on the balance sheet. The footnotes to

[149] FASB ASU Leases Topic 842, page 1.

[redacted]

[redacted]

[redacted]

X. CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

[156] *See* WP/II-E-4.5 Adj 2 for the Employee OT adjustment.

Exhibit KLC-03a
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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
RETAIL REVENUE REQUIREMENT ADJUSTMENTS TO TEST YEAR AMOUNTS
(Thousands of Dollars)

		Adjustments	
O&M Expenses			
1	WP II-D-1 Adj 1 EECRF	$ (31,375)	
2	WP II-D-1 Adj 2 Transportation Depreciation	(981)	
3	WP II-D-1 Adj 3 Bad Debt	523	
4	WP II-D-1 Adj 4 Affiliate Wages	1,408	
5	WP II-D-1 Adj 5 Direct Wages	6,130	
6	WP II-D-1 Adj 6 TCOS	~~(244,702)~~	(242,265)
7	WP II-D-1 Adj 7 Affiliate Other	(206)	
8	WP II-D-1 Adj 8 Employee Expenses	(223)	
9	WP II-D-1 Adj 9 Reclass Membership Dues	(222)	
10	WP II-D-1 Adj 10 Smart Meter Texas	3,565	
11	WP II-D-1 Adj 11 Not Used	-	
12	WP II-D-1 Adj 12 AMS Transportation Depreciation	(9)	
13	Total O&M Adjustments	~~(266,091)~~	(263,654
A&G Expenses			
14	WP II-D-2 Adj 1 Energy Efficiency	(809)	
15	WP II-D-2 Adj 2 Transportation Depreciation	(11)	
16	WP II-D-2 Adj 3 Prior Period	(5,015)	
17	WP II-D-2 Adj 4 Affiliate Wages	2,364	
18	WP II-D-2 Adj 5 Direct Wages	(524)	
19	WP II-D-2 Adj 6 Benefits	~~(8,269)~~	(9,037)
20	WP II-D-2 Adj 7 Non-Recoverable	~~(226)~~	(178)
21	WP II-D-2 Adj 8 Employee Expense	(18)	
22	WP II-D-2 Adj 9 Property Self-Insurance Reserve	3,535	
23	WP II-D-2 Adj 10 Workers' Compensation	(348)	
24	WP II-D-2 Adj 11 Rate Case Expense	(74)	
25	WP II-D-2 Adj 12 Auto & General Reserve	(2,945)	
26	WP II-D-2 Adj 13 Reclass Membership Dues	222	
27	WP II-D-2 Adj 14 Affiliate Employee Expense	(814)	
28	WP II-D-2 Adj 15 Affiliate Other	(1)	
29	WP II-D-2 Adj 16 AMS Transportation Depreciation	(8)	
30	Total A&G Adjustments	~~(12,942)~~	(13,662)
Depreciation & Amortization, and Other Expenses			
31	WP II-E-1 Adj 1 Depreciation Study	~~(787)~~	3,555
32	WP II-E-1 Adj 2 Not Used	-	
33	WP II-E-1 Adj 3 AMS Depreciation	(32,498)	

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
RETAIL REVENUE REQUIREMENT ADJUSTMENTS TO TEST YEAR AMOUNTS
(Thousands of Dollars)

		Adjustments	
34	WP II-E-1 Adj 4 Not Used	-	
35	WP II-E-1 Adj 5 Energy Efficiency	(31)	
36	WP II-E-1 Adj 6 Non-Utility Property	(15)	
37	WP II-E-1 Adj 7 Reclass	-	
38	WP II-E-4 Adj 1 Hurricane Ike	(1,781)	
39	WP II-E-4 Adj 2 AMS	(1,865)	
40	WP II-E-4 Adj 3 DCRF	(4)	
41	WP II-E-4 Adj 4 Bond Company Bank Fee	(0)	
42	WP II-E-4 Adj 5 Interest Rate Hedge	210	
43	WP II-E-4.1 Adj 1 Harvey Amortization	~~21,469~~	24,383
44	WP II-E-4.1 Adj 2 Ike Residual Amortization	(1,344)	
45	WP II-E-4.1 Adj 3 Pension PURA Amortization	(20,215)	
46	WP II-E-4.1 Adj 4 Texas Margin Tax Amortization	6,543	
47	WP II-E-4.1 Adj 5 Expedited Switches Amortization	386	
48	WP II-E-4.1 Adj 6 Non-Standard Metering Amortization	(23)	
49	WP II-E-4.1 Adj 8 Smart Meter Texas Amortization	2,313	
50	Total Depreciation & Amortization, and Other Expenses Adjustments	~~(27,642)~~	(20,385)
Taxes Other Than Income Taxes			
51	WP II-E-2 Adj 1 Direct Wage	8	
52	WP II-E-2 Adj 2 Prior Period	(175)	
53	WP II-E-2 Adj 3 Ad Valorem Tax	~~6,068~~	6,250
54	WP II-E-2 Adj 4 Municipal Franchise Tax	~~2,009~~	2,473
55	WP II-E-2 Adj 5 State Margin Tax Test Year Expense	1,613	
56	WP II-E-2 Adj 6 EECRF	(117)	
57	Total Taxes Other Than Income Taxes Adjustments	~~9,408~~	10,053
Federal Income Tax			
58	Various	~~5,191~~	4,262
59	**Total Adjustments to Retail Revenue Requirement**	$ ~~(292,076)~~	(283,387)

Exhibit KLC-06
Page 1 of 1

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
TOTAL SUPPORTED RETAIL AND WHOLESALE REVENUE REQUIREMENT
(Thousands of Dollars)

		Amounts	
Retail Revenue Requirement	**$**	~~2,282,203~~	2,284,110
Cost of Service			
O&M and A&G	$	~~1,162,985~~	1,164,702
Depreciation and Amortization	$	~~351,230~~	358,487
Taxes Other than Income Taxes	$	~~278,298~~	278,944
Federal Income Tax	$	~~76,725~~	75,795
Minus: Other Revenues	$	~~66,092~~	67,903
Return	$	~~479,058~~	474,086
Total Rate Base	$	~~6,482,512~~	6,415,235
Rate of Return		7.39%	
Wholesale Revenue Requirement	**$**	~~395,797~~	394,360
Cost of Service			106,384
O&M and A&G	$	~~106,519~~	79,575
Depreciation and Amortization	$	~~79,657~~	43,989
Taxes Other than Income Taxes	$	~~43,928~~	27,064
Federal Income Tax	$	~~27,265~~	
Minus: Other Revenues	$	36,316	
Return	$	~~174,743~~	173,664
Total Rate Base	$	~~2,364,585~~	2,349,984
Rate of Return		7.39%	

Exhibit KLC-07
Page 1 of 1

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
TOTAL SUPPORTED RETAIL RATE BASE
(Thousands of Dollars)

	Per Books		Adjustments		Supported	
Net Plant in Service	7,699,538		17,264		7,716,802	
CWIP	427,251		(427,251)		-	
Plant Held for Future Use	11,382		~~(10,261)~~	(10,453)	~~1,121~~	929
Accumulated Provisions	(6,931)		~~(39)~~	(6,949)	~~(6,970)~~	(13,880)
Accumulated Deferred Federal Income Taxes	(1,022,136)		~~128,971~~	53,103	~~893,165)~~	(969,033)
Materials & Supplies	109,729		-		109,729	
Cash Working Capital	~~72,877~~	72,787	~~(46,714)~~	(46,583)	~~26,163~~	26,204
Prepayments	17,994		172,386		190,380	
Customer Deposits & Advances	(17,870)		17,453		(417)	
Regulatory Liabilities	(1,046,387)		~~260,346~~	267,256	~~786,041)~~	(779,131)
Regulatory Assets	199,295		~~(74,384)~~	(65,642)	~~124,911~~	133,653
Total Retail Rate Base	$ ~~6,444,742~~		$ ~~37,770~~		$ ~~6,482,512~~	
	^6,444,652		^(29,416)		^6,415,235	
Rate of Return	7.39%		7.39%		7.39%	
Return	$ ~~476,266~~		$ ~~2,791~~		$ ~~479,058~~	
	^476,260		^(2,174)		^474,086	

Exhibit KLC-08a
Page 1 of 3

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
RETAIL RATE BASE ADJUSTMENTS TO TEST YEAR AMOUNTS
(Thousands of Dollars)

		Adjustments	
Net Plant In Service (WP II-B-1, WP II-B-2, WP II-B-3)			
1	Not Used	$ -	
2	Advanced Meter System (AMS)	(158,664)	
3	Asset Retirement Obligation (ARO)	(22,106)	
4	Not Used	-	
5	Non-Utility Property	(1,035)	
6	Reclass	-	
7	Depreciation Study-Retirements	(11,754)	
8	**Total Net Plant In Service (WP II-B-1, WP II-B-2, WP II-B-3)**	(193,559)	
Construction Work in Progress			
9	CWIP excluded in total	(427,251)	
Less Accumulated Depreciation			
10	WP II-B-5 Adj 1 Depreciation Study - Retirements	11,754	
11	WP II-B-5 Adj 2 Depreciation Study - Reserve Reallocation	0	
12	WP II-B-5 Adj 3 AMS	186,727	
13	WP II-B-5 Adj 4 ARO	12,328	
14	WP II-B-5 Adj 5 Not Used	-	
15	WP II-B-5 Adj 6 Non-Utility Property	15	
16	WP II-B-5 Adj 7 Reclass	-	
17	**Total Less Accumulated Depreciation**	210,824	
Plant Held for Future Use			
18	WP II-B-6 Adj 1 Land Not Used in Next 10 Years	~~(10,261)~~	(10,453)
Accumulated Provisions			
19	WP II-B-7 Adj 1 Non-Distribution Items	(39)	
20	WP II-B-7 Adj ~~2 Not Used~~ 2 BRP	-	(6,910)
21	**Total Accumulated Provisions**	~~(39)~~	(6,949)
Accumulated Deferred Federal Income Taxes			
22	WP II-B-7 Adj 3 ADIT	~~128,971~~	53,103

Exhibit KLC-08a
Page 2 of 3

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
RETAIL RATE BASE ADJUSTMENTS TO TEST YEAR AMOUNTS
(Thousands of Dollars)

		Adjustments	
Cash Working Capital			
23	Lead Lag Study	~~(46,714)~~	(46,583)
Prepayments			
24	WP II-B-10 Adj 1 Other Affiliates	(69)	
25	WP II-B-10 Adj 2 Historic Executive Benefit Plans	(3,812)	
26	WP II-B-10 Adj 3 Prepaid Pension Asset	176,268	
27	**Total Prepayments**	172,387	
Customer Deposits & Advances			
28	WP II-B-11 Adj 3 EECRF	63	
29	WP II-B-11 Adj 1 Customer Advances for Construction	17,390	
30	**Total Customer Deposits & Advances**	17,453	
Regulatory Liabilities			
31	WP II-B-11 Adj 2 DCRF Tax Reform Refund	16,715	
32	WP II-B-11 Adj 3 EECRF	5,193	
33	WP II-B-11 Adj 4 TCRF	40,459	
34	WP II-B-11 Adj 5 AMS	1,681	
35	WP II-B-11 Adj 6 ADFIT Credit	1,852	
36	WP II-B-11 Adj 7 Hurricane Ike Residual	4,031	
37	WP II-B-11 Adj 8 Pension BRP & Postretirement	~~61,613~~	68,522
38	WP II-B-11 Adj 9 Interest Rate Hedge Reclass	(5,537)	
39	WP II-B-11 Adj 10 Interest Rate Hedge Rate Base Removal	5,537	
40	WP II-B-11 Adj 11 EDIT	128,802	
41	**Total Regulatory Liabilities**	~~260,346~~	267,255
Regulatory Assets			
42	WP II-B-12 Adj 1 AMS Reconciliation	(187)	
43	WP II-B-12 Adj 2 Hurricane Harvey	~~16~~	8,758
44	WP II-B-12 Adj 3 AMS Opt Out	(12)	
45	WP II-B-12 Adj 4 ADFIT Credit	(1,547)	

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
RETAIL RATE BASE ADJUSTMENTS TO TEST YEAR AMOUNTS
(Thousands of Dollars)

		Adjustments	
46	WP II-B-12 Adj 5 TRCE	(4,801)	
47	WP II-B-12 Adj 6 ETECRF	(59)	
48	WP II-B-12 Adj 7 Asset Retirement Obligation	(23,705)	
49	WP II-B-12 Adj 8 Interest Rate Hedges	23,467	
50	WP II-B-12 Adj 9 Interest Rate Hedge Removal	(23,467)	
51	WP II-B-12 Adj 10 Margin Tax	(400)	
52	WP II-B-12 Adj 11 EDIT Rider	(23,298)	
53	WP II-B-12 Adj 12 Tax Reg Assets	(20,391)	
54	**Total Regulatory Assets**	~~(74,385)~~	(65,642)
	Total Adjustment to Rate Base	$ ~~37,770~~	(29,418)
55	Rate of Return	7.39%	
	Adjustment to Return on Rate Base	$ ~~2,791~~	(2,174)

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
RETAIL RATE BASE ADJUSTMENTS TO TEST YEAR AMOUNTS- EXPLANATIONS

			Witness
Net Plant in Service and Accumulated Depreciation			
1	Advanced Meter System (AMS)	Company's AMS activities are recovered through a separate surcharge, these items have been removed from the test year.	K. Colvin
2	Asset Retirement Obligation (ARO)	The Company has adjusted asset retirement obligations since these costs represents an estimate of future obligations related to the retirement or removal of assets.	K. Colvin
3	Non-Utility Property	The Company is removing Non-Utility Property not requested in this Docket.	K. Colvin
4	Reclass	The Company is reclassing plant to ensure it is in the correct asset class.	K. Colvin
5	Depreciation Study Retirements and Reserve Reallocation	The Company is requesting updates based on the depreciation study.	K. Colvin / D. Watson
Construction Work in Progress			
6	CWIP excluded in total	The Company is not seeking a return on CWIP amounts following Texas Administrative Code §25.231 (c)(2)(D).	K. Colvin
Plant Held for Future Use			
7	WP II-B-6 Adj 1 Land Not Used in Next 10 Years	The Company is not seeking a return on certain amounts following Texas Administrative Code §25.231(c)(2)(F)(iii) for plant held for future use.	K. Colvin
Accumulated Provisions			
8	WP II-B-7 Adj 1 Non-Distribution Items	Adjustment to remove items in Property Insurance Reserve that are not eligible for recovery through the reserve.	K. Colvin
Accumulated Deferred Federal Income Taxes			
9	WP II-B-7 Adj 3 ADIT	An adjustment has been made to remove certain ADIT balances from rate base.	C. Pringle
Cash Working Capital			
10	Lead Lag Study	A Lead lag Study was prepared for this filing. This adjustment reflects the result of the study in rate base.	K. Colvin / T. Lyons
Prepayments			
11	WP II-B-10 Adj 1 Other Affiliates	Remove affiliate billed amount for GPS devices not applicable to the Company.	K. Colvin
12	WP II-B-10 Adj 2 Historic Executive Benefit Plans	Historic executive benefit plans and associated COLI programs have been removed. The company is not including these amounts in this Docket.	K. Colvin
13	WP II-B-10 Adj 3 Prepaid Pension Asset	The Company is requesting a return on its Prepaid Pension Asset.	K. Colvin / L. Harkel Rumford

Accumulated Provision
WP II-B-7 Adj 2 BRP
This adjustment is to remove balances that are required under GAAP that have no impact on rate making,
K. Colvin

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
RETAIL RATE BASE ADJUSTMENTS TO TEST YEAR AMOUNTS- EXPLANATIONS

			Witness
Customer Deposits & Advances			
14	WP II-B-11 Adj 3 EECRF	The Company will refund the over collections of its Energy Efficiency programs and activities through a separate rider (EECRF). Accordingly, these Energy Efficiency costs have been removed from rate base.	K. Colvin
15	WP II-B-11 Adj 1 Customer Advances for Construction	This adjustment removes the Customer Advances for Construction from Rate Base.	K. Colvin
Regulatory Liabilities			
16	WP II-B-11 Adj 2 DCRF Tax Reform Refund	The Company will refund the TCJA amounts for its Distribution Cost Recovery Factor filing through a separate rider (DCRF). Accordingly, these amounts have been removed from rate base.	K. Colvin
17	WP II-B-11 Adj 3 EECRF	The Company will refund the over collections of its Energy Efficiency programs and activities through a separate rider (EECRF). Accordingly, these Energy Efficiency costs have been removed from rate base.	K. Colvin
18	WP II-B-11 Adj 4 TCRF	The Company will refund the over collection of costs for its Transmission Cost Recovery Factor through a separate rider (TCRF). Accordingly, these amounts have been removed from rate base.	K. Colvin
19	WP II-B-11 Adj 5 AMS	Company's AMS activities are recorded through a separate surcharge. Accordingly, these items have been removed from the rate base.	K. Colvin
20	WP II-B-11 Adj 6 ADFIT Credit	Company ADFIT Credit are recovered through a separate surcharge, these items have been removed from the rate base.	K. Colvin
21	WP II-B-11 Adj 7 Hurricane Ike Residual	The Company is not requesting a return on the Hurricane Ike Residual.	K. Colvin
22	WP II-B-11 Adj 8 Pension BRP & Postretirement	This adjustment is to remove balances that are required under GAAP that have no impact on rate making.	K. Colvin
23	WP II-B-11 Adj 9 Interest Rate Hedge Reclass	The Company is proposing to record the interest rate hedge as a regulatory asset.	K. Colvin
24	WP II-B-11 Adj 10 Interest Rate Hedge Rate Base Removal	The Company is not requesting a return on the interest rate hedge regulatory asset.	K. Colvin
25	WP II-B-11 Adj 11 EDIT	The Company is proposing to refund unprotected EDIT outside of base rates. Accordingly, these amounts have been removed from rate base.	C. Pringle

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
RETAIL RATE BASE ADJUSTMENTS TO TEST YEAR AMOUNTS- EXPLANATIONS

			Witness
Regulatory Assets			
26	WP II-B-12 Adj 1 AMS Reconciliation	The Company's AMS activities are recovered through a separate surcharge, these items have been removed from the test year.	K. Colvin
27	WP II-B-12 Adj 2 Hurricane Harvey	The Hurricane Harvey adjustment amount is to remove amounts not properly charged.	K. Colvin
28	WP II-B-12 Adj 3 AMS Opt Out	Company's AMS Opt Out expenditures are recovered through a separate mechanism. These items have been removed from the test year rate base.	K. Colvin
29	WP II-B-12 Adj 4 ADFIT Credit	Company ADFIT Credit are recovered through a separate surcharge, these items have been removed from the test year rate base.	K. Colvin
30	WP II-B-12 Adj 5 RCE	The Company is proposing to recover the costs of its rate case expenses through a separate rider. Accordingly, these rate case costs have been removed from test year rate base.	K. Colvin
31	WP II-B-12 Adj 6 EECRF	The Company will recover the costs of its Energy Efficiency programs and activities through a separate rider (EECRF). Accordingly, these Energy Efficiency costs have been removed from test year rate base.	K. Colvin
32	WP II-B-12 Adj 7 Asset Retirement Obligation	The Company has adjusted asset retirement obligations since these costs represents an estimate of future obligations related to the retirement or removal of assets recorded for GAAP purposes.	K. Colvin
33	WP II-B-12 Adj 8 Interest Rate Hedges	The Company is proposing to record the interest rate hedge as a regulatory asset.	K. Colvin
34	WP II-B-12 Adj 9 Interest Rate Hedge Removal	The Company is not requesting a return on the interest rate hedge regulatory asset.	K. Colvin
35	Various Tax Related Regulatory Assets	The Company has adjusted rate base for various Tax related Regulatory Assets.	C. Pringle

Errata 1 to
Direct Testimony of Charles W. Pringle

EXECUTIVE SUMMARY OF CHARLES W. PRINGLE

I present testimony, schedules and supporting workpapers on behalf of CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston" or the "Company") related to federal income taxes ("FIT") and the Texas state franchise tax (also known as the Texas margin tax) amounts for the 2018 test year. My testimony:

- supports the Company's request for CenterPoint Energy Service Company, LLC's Corporate Tax department test year affiliate expenses;
- explains certain provisions of the Tax Cuts and Jobs Act of 2017 ("TCJA") and how those provisions are reflected in this filing;
- explains the income tax schedules required to be included in this filing;
- describes the functionalization of income taxes to: Transmission, Distribution, Transmission and Distribution Utility Metering System Services, and Transmission and Distribution Utility Customer Services;
- addresses issues related to the appropriate treatment of income taxes;
- explains adjustments that were made to the FIT and Texas margin tax in this proceeding; and
- demonstrates that the FIT and Texas margin tax amounts included in this rate request are reasonable and necessary.

My testimony and supporting schedules demonstrate that CenterPoint Houston's requested tax related cost of service items are as follows:

EXPENSES:		
Federal Income Tax Expense	~~$76.7 million~~	$75.8 million
Texas Margin Tax Expense	$20.0 million	
RATE BASE:		
Accumulated Deferred Federal Income Taxes	~~($893.2) million~~	($969.0) million
Regulatory Liability: Protected EDIT (TCJA)	($718.5) million	
Regulatory Liability: Protected EDIT (Pre TCJA)	($2.0) million	
Regulatory Asset: Texas Margin Tax	$19.6 million	
Regulatory Asset: Medicare Part D Subsidy	$33.2 million	

Errata 1 to
Direct Testimony of Justin J. Hyland

EXECUTIVE SUMMARY OF JUSTIN J. HYLAND

I explain the computation of CenterPoint Energy Houston Electric, LLC's ("CenterPoint Houston") 2018 property taxes and the process through which CenterPoint Houston divided its 2018 property taxes into the four functions included in this case: Transmission, Distribution, Transmission and Distribution Metering, and Transmission and Distribution Customer Service.

More specifically, my testimony:

- addresses how electric utility property, including CenterPoint Houston's electric utility property, is valued for tax purposes in Texas;
- describes the proactive position CenterPoint Energy Service Company, LLC's Property Tax Department takes with respect to the valuation of CenterPoint Houston's property, which ensures that CenterPoint Houston and its customers pay no more than their fair share of the property tax burden;
- explains how the 2018 property taxes were computed;
- explains that property taxes have been functionalized in the same manner that the assets, upon which the taxes are assessed, have been functionalized; and
- confirms that the process used to functionalize property tax expenses is the same process that was used and approved in Docket Nos. 22355, 32093, and 38339.

My testimony and supporting materials will show that ~~$88.4~~ $88.6 million in property taxes that was assessed to CenterPoint Houston during 2018 and that ~~$94.2~~ $94.4 million in property taxes that are expected to be assessed to CenterPoint Houston during 2019 with respect to 2018 property additions are reasonable and necessary for the provision of electric utility service and should be included in CenterPoint Houston's cost of service.

DIRECT TESTIMONY OF JUSTIN J. HYLAND

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Justin J. Hyland, and I am the Director of Indirect Taxes (Ad Valorem & Sales Taxes) for CenterPoint Energy Service Company, LLC ("Service Company").

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of CenterPoint Houston Electric, LLC ("CenterPoint Houston" or the "Company").

Q. PLEASE GIVE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL QUALIFICATIONS, AND COMPANY EXPERIENCE.

A. I received a Bachelor of Arts Degree, with a double major in Economics and Managerial Studies, from Rice University in 1995. From 1995 until 2004, I was employed with KPMG LLP in a variety of state and local tax roles, including as Senior Manager. From 2004 until 2007, I was primarily partner in a state & local tax consulting firm in Houston. Subsequent to that I served as Director of Property & Transaction Taxes with Calpine Corporation from 2007 thru 2013. Since January 2014, I have served as Director of Indirect Taxes for CenterPoint Energy, Inc. ("CNP") and, subsequently, the Service Company. I hold a Senior Property Tax Consulting license in the State of Texas.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I support the recovery of CenterPoint Houston's reasonable and necessary (1) 2018 property taxes assessed in the amount of ~~$88.4~~ $88.6 million and (2) 2019 property taxes expected to be assessed with respect to 2018 property additions in the amount of

$94.4
~~$94.2~~ million. I also briefly summarize the process by which electric utility property is valued in the State of Texas and the process the ad valorem tax department used to functionalize these property taxes for this CenterPoint Houston filing.

Q. WHAT SCHEDULES ARE YOU SPONSORING IN THIS RATE FILING PACKAGE?

A. I sponsor Schedule II-E-2.1 and II-E-2.1.4, and co-sponsor Schedule II-E-2 with Company witnesses Charles W. Pringle and Kristie L. Colvin.

II. PROPERTY TAX VALUATION OF ELECTRIC UTILITY PROPERTY IN TEXAS

Q. WHAT IS THE PURPOSE OF THE SERVICE COMPANY'S AD VALOREM TAX DEPARTMENT?

A. The purpose of this department is to report the property owned by CNP and its affiliates to the various county appraisal districts in the State of Texas and to taxing authorities in other states where the property is located, to appropriately negotiate the taxable value of that property, and to ensure that the ad valorem taxes are appropriately and timely paid. A major aspect of this department's function is its responsibility for the negotiations concerning the valuation of the taxable property of CNP and affiliated entities. The department performs its own valuation analysis of this property and vigorously argues for this valuation in discussions with the appraisal entities in the various states. By taking a pro-active position with respect to the valuation of this property, the property tax department is able to ensure that CenterPoint Houston and its customers pay no more than their fair share of the property tax burden.

used in many states and is the method used by every appraisal district in Texas in which CenterPoint Houston has taxable property.

Q. ARE ALL OF CENTERPOINT HOUSTON'S ELECTRIC UTILITY ASSETS VALUED UNDER THIS UNIT VALUE CONCEPT?

A. No. Although the majority of CenterPoint Houston's assets are assigned a value under the unit value concept, some types of utility assets, such as land, are similar to those owned by non-utility owners. Because of that fact, these assets are usually not valued under the unit value concept but are instead valued in the same manner as non-utility assets are valued when owned by non-utilities in order to ensure that they are valued equitably with similar assets owned by non-utility owners.

Q. WHAT WAS THE TOTAL AMOUNT OF AD VALOREM TAXES ASSESSED AGAINST CENTERPOINT HOUSTON FOR 2018?

A. During 2018, CenterPoint Houston was assessed approximately ~~$88.4~~ $88.6 million in ad valorem taxes.

Q. WHAT IS THE AMOUNT OF AD VALOREM TAXES EXPECTED FOR 2019?

A. The amount of ad valorem taxes expected for 2019 equals the ad valorem taxes assessed during 2018 plus an additional amount for capital additions placed into service in 2018 that form the base of the ad valorem taxes that will be assessed during 2019. To calculate this amount, the property tax department multiplies the total 2018 property taxes assessed by a factor that captures the change in taxable plant in service ("PIS") during 2018:

Ad Valorem Tax Additions Factor = (2018 ending taxable PIS - 2018 beginning PIS) / 2018 beginning PIS

The resulting amount of ad valorem taxes expected for 2019 is ~~$94.2~~ $94.4 million.

Q. IS THE PROPERTY TAX BASE FOR THE 2019 PROPERTY TAXES A KNOWN AMOUNT?

A. Yes. All of the assets comprising the property tax base for 2019 were placed in service in 2018.

Q. IS CENTERPOINT HOUSTON USING A DIFFERENT TAX RATE FOR THE 2019 AD VALOREM TAXES THAN FOR 2018?

A. No. This is a reasonable assumption. Over the last three years, the overall effective property tax rate has been in a narrow band between 2.60% and 2.63%.

III. FUNCTIONALIZATION OF THE PROPERTY TAX EXPENSES

Q. CAN YOU EXPLAIN HOW THE PROPERTY TAX DEPARTMENT APPROACHED DETERMINING THE PROPERTY TAX EXPENSES FOR EACH OF THE FOUR FUNCTIONS REQUIRED FOR THIS FILING?

A. Property taxes in Texas are assessed on a calendar year basis and are based upon the value of property existing on January 1 of each year. The test year for this proceeding was calendar year 2018. Therefore, for purposes of this analysis, the property tax department functionalized the property taxes assessed against CenterPoint Houston for the 2018 calendar year.

Q. WHAT PROCESS DID THE PROPERTY TAX DEPARTMENT USE TO SEPARATE THE PROPERTY TAX EXPENSES INTO THE FUNCTIONS?

A. The process described below is precisely the same process that was used to functionalize the property tax expenses in Docket Nos. 22355, 32093, and 38339. CenterPoint Houston has approximately 3,400 different property tax accounts in the State of Texas. In order to facilitate the normal processing of these accounts,

Q. ONCE THE PROPERTY TAX DEPARTMENT COMPLETED THE FUNCTIONALIZATION OF ALL OF THESE PROPERTY TAX ACCOUNTS, HOW DID THE PROPERTY TAX DEPARTMENT DETERMINE THE TAX AMOUNTS BY FUNCTION?

A. Once the analysis and functionalization of the tax amounts for each of the property types was completed, the property tax department totaled the tax amounts for each function to arrive at the total 2018 property tax amount by function. The tax amounts by function, as determined through this process, are as follows:

FIGURE 1 - PROPERTY TAX BY FUNCTION

Property Type	TRAN FUNCT. #1	DIST FUNCT. #2	MET FUNCT. #3	TDCS FUNCT. #4	TOTAL TAX
Substations	$8,643,709	$4,847,048	$47,946	$59,254	$13,597,957
Transmission	$11,094,743	$0	$0	$0	$11,094,743
Distribution	$630,038	$42,200,504	$2,638,341	$108,569	$45,577,452
Service Center	**$1,418,309**	**$3,737,116**	**$339,431**	**$256,983**	**$5,751,839**
Land	**$8,897,638**	**$1,781,808**	**$7,351**	**$4,338**	**$10,691,135**
Business Personal Property	$627,900	$715,689	$67,515	$125,013	$1,536,117
Royalties	$1,510	$0	$0	$0	$1,510
Industrial Dist.	$175,724	$127,777	$27	$16	$303,544
	$31,489,571	**$53,409,942**	**$3,100,611**	**$554,173**	**$88,554,297**
	35.56%	**60.31%**	**3.50%**	**0.63%**	**100.00%**

The percentages above were then used to functionalize the 2019 expected assessment of ~~$94.2~~ $94.4 million.

Q. IS THIS METHOD OF FUNCTIONALIZING PROPERTY TAXES REASONABLE?

A. Yes. In my opinion this is the most reasonable and logical way to functionalize the property taxes. As explained above, the property taxes have been functionalized in

the same manner that the assets, upon which the taxes are assessed, have been functionalized. Also as indicated above, this is the same method used to functionalize the property taxes in Docket Nos. 22355, 32093 and 38339.

IV. CONCLUSION

Q. WHAT CONCLUSION HAVE YOU REACHED IN YOUR ANALYSIS?

A. I have determined that CenterPoint Houston appropriately and vigorously defends its property valuation methods before appraisal districts, that the property taxes assessed on CenterPoint Houston during 2018 in the amount of ~~$88.4~~ $88.6 million and that are expected to be assessed on CenterPoint Houston for 2018 additions in the amount of ~~$94.2~~ $94.4 million are reasonable and necessary for the provision of electric transmission and distribution utility service, and that such taxes have been functionalized in the most reasonable and logical way and consistent with prior rate cases.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Removal of Issues Not to be Addressed from Direct Testimony of Dane A. Watson

Figure 1

Account	Description	Approved Life	Approved Curve	Proposed Life	Proposed Curve
E30302	Intangible Plant 5 year	5	SQ	5	SQ
E30302	Intangible Plant 7 year	7	SQ	7	SQ
E30302	Intangible Plant 10 year	10	SQ	10	SQ
E30302	Intangible Plant 15 year	NA	NA	15	SQ
E35002	Land Rights	75	R1	75	R1
E35201	Structures & Improvements	60	R4	60	R1.5
E35301	Station Equipment	47	R1	53	R0.5
E35401	Towers & Fixtures	60	R4	59	R2.5
E35501	Poles and Fixtures	40	R0.5	60	R0.5
E35601	O/H Conduct/Devices	50	R2	61	R1.5
E35701	Underground Conduit	60	R5	60	R5
E35801	U/G Conduct/Devices	40	R5	44	S6
E35901	Roads and Trails	58	S6	52	S6
E36002	Land Rights	55	R1	60	R1
E36101	Structures. & Improvements	56	R4	60	R4
E36201	Station Equipment	47	R1.5	48	R1
[redacted]					
E36401	Poles, Towers & Fixtures	35	R0.5	35	R0.5
E36501	O/H Conduct Devices	40	R0.5	38	R0.5
E36601	Underground Conduit	37	S6	62	R2.5
E36701	U/G Conduct/Devices	31	R0.5	38	R0.5
E36801	Line Transformers	28	R1	28	R1
E36901	Services	36	R0.5	46	R0.5
E37001	Meters	27	R2	21	R3
E37001	AMS Meters	7	SQ	20	R2
E37301	Street Light/Signal Systems	36	R1	39	R1
E37401	Security Lighting	36	R1	39	R1
E38902	Land Rights	50	R2	55	R2
E39001	Structures & Improvements	40	R2	50	R4
E39101	Office F/F	24	SQ	24	SQ
E39201	Transportation Equipment	12	R1.5	13	L2
E39301	Stores Equipment	19	SQ	19	SQ
E39401	Tools, Shop & Garage Equipment	18	SQ	18	SQ
E39501	Laboratory Equipment	25	SQ	25	SQ
E39601	Power Operated Equipment	21	L1.5	18	L2
E39701	Microwave Equipment	24	SQ	22	R2
E39702	Computer Equipment	8	SQ	8	SQ
E39801	Miscellaneous. Equipment	20	SQ	20	SQ

1

Figure 2

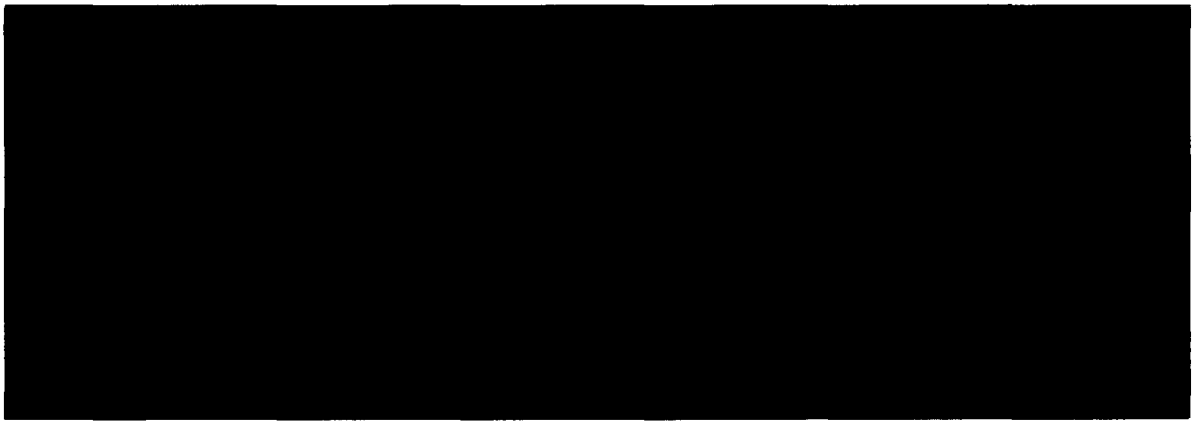
Account	Description	Approved Net Salvage	Proposed Net Salvage
E30302	Intangible Plant 5 year	0%	0%
E30302	Intangible Plant 7 year	0%	0%
E30302	Intangible Plant 10 year	0%	0%
E30302	Intangible Plant 15 year	NA	0%
E35002	Land Rights	0%	0%
E35201	Structures. & Improvements	0%	-5%
E35301	Station Equipment	-5%	-10%
E35401	Towers & Fixtures	-15%	-30%
E35501	Poles and Fixtures	-35%	-50%
E35601	O/H Conduct/Devices	-74%	-100%
E35701	Underground Conduit	0%	-5%
E35801	U/G Conduct/Devices	-2%	-5%
E35901	Roads and Trails	0%	0%
E36002	Land Rights	0%	0%
E36101	Structures & Improvements	-10%	-10%
E36201	Station Equipment	0%	-10%
[redacted]			
E36401	Poles, Towers & Fixtures	-45%	-45%
E36501	O/H Conduct Devices	-23%	-30%
E36601	Underground Conduit	-20%	-30%
E36701	U/G Conduct/Devices	-13%	-35%
E36801	Line Transformers	-2%	-15%
E36901	Services	-20%	-60%
E37001	Meters	0%	0%
E37003	AMS Meters	0%	0%
E37301	Street Lighting/Signal Systems	-40%	-30%
E37401	Security Lighting	-40%	-30%
E38902	Land Rights	0%	0%
E39001	Structures. & Improvements	0%	-5%
E39101	Office F/F	0%	0%
E39201	Transportation Equipment	9%	10%
E39301	Stores Equipment	0%	0%
E39401	Tools, Shop & Garage Equipment	0%	0%
E39501	Laboratory Equipment	0%	0%
E39601	Power Operated Equipment	8%	6%
E39701	Microwave Equipment	0%	2%
E39702	Computer Equipment	0%	0%
E39801	Miscellaneous. Equipment	0%	0%

Implementation of this approach did not affect the annual expense accrued by CenterPoint Houston and provides for the timely retirement of assets and the simplification of accounting for general property. Both the FERC and the Public Utility Commission of Texas ("PUCT") have approved this approach. The decreased expense in General Amortized Plant is due to the recognition of changes in lives, not the continued use of Vintaged Group Amortization, as shown in Appendix E-4. A summary of the existing and proposed annual accrual rates are listed below.

CenterPoint Houston
Current and Requested Depreciation Rates

	Description	Existing Accrual Rate	Proposed Accrual Rate
	Intangible Plant		
303	Intangible Plant 5 Year Life	20.00%	20.00%
303	Intangible Plant 7 Year Life	14.29%	14.29%
303	Intangible Plant 10 Year Life	10.00%	10.00%
303	Intangible Plant 15 Year Life	NA	6.67%
	Transmission Plant		
350	Land Rights	1.32%	1.31%
352	Structures and Improvements	1.65%	1.74%
353	Station Equipment	2.21%	2.05%
354	Towers and Fixtures	1.89%	2.15%
355	Poles and Fixtures	3.35%	2.47%
356	Overhead Conductors and Devices	3.34%	3.21%
357	Underground Conduit	1.64%	1.73%
358	Underground Conductors and Devices	2.45%	2.35%
359	Roads and Trails	1.71%	1.90%
	Distribution Plant (Excluding Meters)		
360	Land Rights	1.42%	1.55%
361	Structures and Improvements	1.62%	1.68%
362	Station Equipment	1.84%	2.14%
364	Poles, Towers and Fixtures	3.64%	3.84%
365	Overhead Conductors and Devices	2.74%	3.24%
366	Underground Conduits	2.53%	1.96%
367	Underground Conductors and Devices	3.27%	3.34%
368	Line Transformers	3.07%	3.71%
369	Services	2.97%	3.76%
370	Meters	4.66%	3.32%
370.3	Smart Meters	14.29%	4.77%
373 & 374	Street Lighting and Signal Systems	3.45%	3.09%
	General Plant (Excluding General Plant Amortized)		
389	Land Rights	2.01%	1.80%

This account consists of the salvage and removal cost related to a wide variety of distribution substation equipment, from transformers to circuit breakers to switchgear. The approved net salvage is zero percent. Salvage has been recorded consistently since 2002, but generally cost of removal has and is expected to continue to exceed salvage. Based on consistent longer band (10 year) indications, which show a negative 11.22 percent adjusted net salvage, this study recommends moving to a negative 10 percent net salvage for this account.



Account 364 Poles, Towers, and Fixtures (negative 45 percent NS)

This account consists of the salvage and removal cost related to various types and sizes of distribution poles, towers and other related equipment. The approved net salvage is negative 45 percent. Between 1974 and 2017, the Company experienced positive net salvage in only two years. While gross salvage has been recorded and is expected to continue, the cost of removal has and is expected to continue to exceed salvage proceeds. This trend is supported by the fact that the adjusted net salvage for the last 10 years has been around or more negative than negative 45 percent in the last nine years. Based on the consistent band indications, this study recommends retaining the negative 45 percent net salvage for this account.

Account 365 Overhead Conductor and Devices (negative 30 percent NS)

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
COMPARISON OF DEPRECIATION ACCRUAL
AT EXISTING VS PROPOSED RATES
AT DECEMBER 31, 2017

Account	Description	Original Cost at 12/31/17	Existing Accrual Rate	Annual Accrual at Existing Rates	Proposed Accrual Rate	Annual Accrual at Proposed Rates	Difference Proposed vs Existing
Transmission Property							
E35002	LAND RIGHTS	92,262,040.65	1.32%	1,217,858.94	1.31%	1,208,632.73	(9,226.20)
E35201	STRUCT. & IMPROVEMTS	173,702,368.93	1.65%	2,866,089.09	1.74%	3,022,421.22	156,332.13
E35301	STATION EQUIPMENT	955,050,688.44	2.21%	21,106,620.21	2.05%	19,578,539.11	(1,528,081.10)
E35401	TOWERS & FIXTURES	653,563,738.76	1.89%	12,352,354.66	2.15%	14,051,620.38	1,699,265.72
E35501	POLES AND FIXTURES	123,402,914.23	3.35%	4,133,997.63	2.47%	3,048,051.98	(1,085,945.65)
E35601	O/H CONDUCT/DEVICES	553,862,290.29	3.34%	18,499,000.50	3.21%	17,778,979.52	(720,020.98)
E35701	UNDERGROUND CONDUIT	38,059,655.95	1.64%	624,178.36	1.73%	658,432.05	34,253.69
E35801	U/G CONDUCT/DEVICES	14,661,443.81	2.45%	359,205.37	2.35%	344,543.93	(14,661.44)
E35901	ROADS AND TRAILS	72,604,214.89	1.71%	1,241,532.07	1.90%	1,379,480.08	137,948.01
Total Transmission Depreciable Property		2,677,169,355.95		62,400,836.83		61,070,701.01	(1,330,135.82)
Distribution Plant Excluding Meters							
E36002	LAND RIGHTS	2,210,688.31	1.42%	31,391.77	1.55%	34,265.67	2,873.89
E36101	STRUCT. & IMPROVEMTS	93,660,689.31	1.62%	1,517,303.17	1.68%	1,573,499.58	56,196.41
E36201	STATION EQUIPMENT	1,144,183,141.69	1.84%	21,052,969.81	2.14%	24,485,519.23	3,432,549.43
[redacted]							
E36401	POLES,TOWERS,FIXTURE	793,286,814.86	3.64%	28,875,640.06	3.84%	30,462,213.69	1,586,573.63
E36501	O/H CONDUCT DEVICES	963,499,466.02	2.74%	26,399,885.37	3.24%	31,217,382.70	4,817,497.33
E36601	UNDERGROUND CONDUIT	552,884,183.26	2.53%	13,987,969.84	1.96%	10,836,529.99	(3,151,439.84)
E36701	U/G CONDUCT/DEVICES	999,076,686.73	3.27%	32,669,807.66	3.34%	33,369,161.34	699,353.68
E36801	LINE TRANSFORMERS	1,317,489,957.37	3.07%	40,446,941.69	3.71%	48,878,877.42	8,431,935.73
E36901	SERVICES	193,687,516.61	2.97%	5,752,519.24	3.76%	7,282,650.62	1,530,131.38
E37001	METERS	76,538,373.85	4.66%	3,566,688.22	3.32%	2,541,074.01	(1,025,614.21)
E37003	AMS METERS	107,252,468.96	14.29%	15,326,377.81	4.77%	5,115,942.77	(10,210,435.04)
E37301 & E37401		575,732,495.96	3.45%	19,862,771.11	3.09%	17,790,134.13	(2,072,636.99)
Total Distribution Excluding Meters		6,819,502,482.93		209,490,265.75		213,587,251.15	4,096,985.40
General Property Excluding General Plant Amortization							
E38902	LAND RIGHTS	154,399.83	2.01%	3,103.44	1.80%	2,779.20	(324.24)
E39001	STRUCT. & IMPROVEMTS	213,821,555.08	2.45%	5,238,628.10	2.05%	4,383,341.88	(855,286.22)
E39201	TRANSPORTATION EQUIP	121,651,325.90	7.63%	9,281,996.17	6.73%	8,187,134.23	(1,094,861.93)
E39601	POWER OPERATED EQUIP	20,956,361.56	4.40%	922,079.91	5.10%	1,068,774.44	146,694.53

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
COMPARISON OF APPROVED AND PROPOSED
DEPRECIATION PARAMETERS
AT DECEMBER 31, 2017

Asset Class	Description	Approved Life	Approved Curve	Approved Net Salvage %	Proposed Life	Proposed Curve	Proposed Net Salvage
Intangible Plant							
E30302	Intangible Plant 5 YEAR	5	SQ	0.00%	5	SQ	0.00%
E30302	Intangible Plant 7 YEAR	7	SQ	0.00%	7	SQ	0.00%
E30302	Intangible Plant 10 YEAR	10	SQ	0.00%	10	SQ	0.00%
E30302	Intangible Plant 15 YEAR	NA	NA	NA	15	SQ	0.00%
Transmission							
E35002	LAND RIGHTS	75	R1	0.00%	75	R1	0.00%
E35201	STRUCT. & IMPROVEMTS	60	R4	0.00%	60	R1.5	-5.00%
E35301	STATION EQUIPMENT	47	R1	-5.00%	53	R0.5	-10.00%
E35401	TOWERS & FIXTURES	60	R4	-15.00%	59	R2.5	-30.00%
E35501	POLES AND FIXTURES	40	R0.5	-35.00%	60	R0.5	-50.00%
E35601	O/H CONDUCT/DEVICES	50	R2	-74.00%	61	R1.5	-100.00%
E35701	UNDERGROUND CONDUIT	60	R5	0.00%	60	R5	-5.00%
E35801	U/G CONDUCT/DEVICES	40	R5	-2.00%	44	S6	-5.00%
E35901	ROADS AND TRAILS	56	S6	0.00%	52	S6	0.00%
Distribution							
E36002	LAND RIGHTS	55	R1	0.00%	60	R1	0.00%
E36101	STRUCT. & IMPROVEMTS	66	R4	-10.00%	60	R4	-10.00%
E36201	STATION EQUIPMENT	47	R1.5	0.00%	48	R1	-10.00%
E36401	POLES,TOWERS,FIXTURE	35	R0.5	-45.00%	35	R0.5	-45.00%
E36501	O/H CONDUCT DEVICES	40	R0.5	-23.00%	38	R0.5	-30.00%
E36601	UNDERGROUND CONDUIT	37	S6	-20.00%	62	R2.5	-30.00%
E36701	U/G CONDUCT/DEVICES	31	R0.5	-13.00%	38	R0.5	-35.00%
E36801	LINE TRANSFORMERS	28	R1	-2.00%	28	R1	-15.00%
E36901	SERVICES	36	R0.5	-20.00%	46	R0.5	-60.00%
E37001	METERS	27	R2	0.00%	21	R3	0.00%
E37003	AMS METERS	7	SQ	0.00%	20	R2	0.00%
E37301	STREET LT/SIGNAL SYS	36	R1	-40.00%	39	R1	-30.00%
E37401	SECURITY LIGHTING	36	R1	-40.00%	39	R1	-30.00%
General							
E38902	LAND RIGHTS	60	R2	0.00%	55	R2	0.00%
E39001	STRUCT. & IMPROVEMTS	40	R2	0.00%	50	R4	-5.00%
E39101	OFFICE F/F	24	SQ	0.00%	24	SQ	0.00%
E39201	TRANSPORTATION EQUIP	12	R1.5	9.00%	13	L2	10.00%
E39301	STORES EQUIPMENT	19	SQ	0.00%	19	SQ	0.00%
E39401	TOOLS,SHOP,GAR EQUIP	18	SQ	0.00%	18	SQ	0.00%
E39501	LAB EQUIPMENT	25	SQ	0.00%	25	SQ	0.00%
E39601	POWER OPERATED EQUIP	21	L1.5	8.00%	18	L2	6.00%
E39701	MICROWAVE EQUIPMENT	24	SQ	0.00%	22	R2	2.00%
E39702	COMPUTER EQUIPMENT	8	SQ	0.00%	8	SQ	0.00%
E39801	MISC. EQUIPMENT	20	SQ	0.00%	20	SQ	0.00%

Removal of Issues Not to be Addressed and Errata 1 to Direct Testimony of Mathew A. Troxle

TABLE OF CONTENTS

EXECUTIVE SUMMARY OF MATTHEW A. TROXLE

My testimony addresses four areas: (1) the twelve-month period ending December 31, 2018 Test Year ("Test Year") billing determinants used to design the proposed retail delivery service rates; (2) the allocation of costs among the rate classes; (3) the development of CenterPoint Energy Houston Electric, LLC's ("CenterPoint Houston" or the "Company") proposed retail and wholesale delivery service tariff rate schedules, riders and various charges; and (4) other proposed changes to the Company's retail delivery service tariffs. Specifically, my testimony:

note: restored to original text

- explains the reasonable and necessary adjustments to the Test Year billing determinants that are necessary to make the Test Year billing and usage data more representative of conditions that are expected to exist once new rates go into effect;
- describes the two class cost of service studies used to allocate costs among the rate classes in accordance with the Federal Energy Regulatory Commission System of Accounts, the Public Utility Regulatory Act, the Public Utility Commission of Texas' rules and rate filing package instructions, and the principles of cost causation;

note: restored to original text

- explains, for both the retail delivery service tariff and the wholesale delivery service tariff, how each rate schedule applies and how each delivery charge is calculated, and also demonstrates that these rate schedules and riders accurately recover the cost of service as described and supported in the rate filing package;
- introduces a new rider, Rider UEDIT – Unprotected Excess Deferred Income Tax, that refunds to customers the balance of unprotected excess deferred income taxes resulting from the Tax Cuts and Jobs Act of 2017 that changed the federal income tax rate in 2018;
- describes the Company's proposed additional charges and discretionary service charges and the methodology used to determine the present cost of providing these services; and
- summarizes other proposed changes to the Company's retail tariff.

1 The current and proposed base class revenues, inclusive of Rider TCRF, DCRF and UEDIT

2 are as follows:

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
SUMMARY OF REVENUES BY RATE CLASS

Rate Class Description	Present Revenues[1] (a)	Proposed Revenues (b)	Rider UEDIT (c)	Change (d) = (b)+(c)-(a)	Change Pct (d)/(a)
Residential	$ 1,130,553,347	$ 1,217,814,820	$ (17,253,347)	$ 70,008,125	6.2%
Secondary <= 10kva	$ 32,594,719	$ 30,607,020	$ (431,501)	$ (2,419,200)	-7.4%
Secondary > 10Kva	$ 654,965,407	$ 739,867,066	$ (10,489,328)	$ 74,412,331	11.4%
Primary	$ 66,701,177	$ 70,089,549	$ (992,514)	$ 2,395,858	3.6%
Transmission	$ 143,211,958	$ 162,433,957	$ (2,313,022)	$ 16,908,977	11.8%
Miscellaneous Lighting	$ 3,843,864	$ 3,126,732	$ (44,200)	$ (761,332)	-19.8%
Street Lighting	$ 63,729,997	$ 58,264,534	$ (834,750)	$ (6,300,214)	-9.9%
Retail Electric Delivery Revenues	$ 2,095,600,469	$ 2,282,203,678	$ (32,358,663)	$ 154,244,545	7.4%
Wholesale Transmission	$ 388,968,021	$ 395,796,573		$ 6,828,552	1.8%
Total Cost of Service	$ 2,484,568,490	$ 2,678,000,251	$ (32,358,663)	$ 161,073,097	6.5%

[1] Test Year revenues have been adjusted to normalize billing units and adjust for DCRF and TCRF

1 The current and proposed base class revenues, inclusive of Rider TCRF, DCRF and UEDIT

2 are as follows:

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
SUMMARY OF REVENUES BY RATE CLASS

Line	Rate Class Description	Number of Customers	Present Revenues[1] (a)	Proposed Revenues (b)	Rider UEDIT (c)	Change (d) = (b)+(c)-(a)	Change Pct (d)/(a)
1	Residential	2,198,225	$ 1,130,384,216	$ 1,219,245,756	$ (21,148,160)	$ 67,713,380	6.0%
2	Secondary <= 10kva	148,123	$ 32,590,600	$ 30,958,887	$ (534,163)	$ (2,165,876)	-6.6%
3	Secondary > 10Kva	137,862	$ 654,836,724	$ 740,383,955	$ (12,852,943)	$ 72,694,288	11.1%
6	Primary	999	$ 66,688,172	$ 70,053,774	$ (1,214,832)	$ 2,150,770	3.2%
9	Transmission	204	$ 143,168,131	$ 162,363,701	$ (2,833,419)	$ 16,362,151	11.4%
10	Miscellaneous Lighting	12,698	$ 3,843,864	$ 3,116,180	$ (53,900)	$ (781,584)	-20.3%
11	Lighting	5,100	$ 63,729,997	$ 57,986,328	$ (1,016,606)	$ (6,760,275)	-10.6%
12							
13	Retail Electric Delivery Revenues	2,503,211	$ 2,095,241,703	$ 2,284,108,581	$ (39,654,023)	$ 149,212,855	7.1%
14							
15	Wholesale Transmission Revenue		$ 388,968,021	$ 394,359,947		$ 5,391,926	1.4%
16							
17	Total Cost of Service		$ 2,484,209,724	$ 2,678,468,528	$ (39,654,023)	$ 154,604,781	6.2%

[1] Test Year revenues have been adjusted to normalize billing units and adjust for DCRF and TCRF

WP - Acct. 366, WP - Acct. 367, and WP - Acct. 368 demonstrate how the Company proposes to allocate distribution costs in this proceeding.

Q. WHAT IS THE FINAL STEP IN PREPARING THE CCOSS?

A. The final step in preparing the CCOSS is applying the allocators derived in the previous step, as shown in the II-I-2 Schedules, to all of the FERC Account costs, expenses, and other revenues.

B. Demand-related Allocation Methodology

1. Transmission Cost

Q. PLEASE DESCRIBE THE METHOD USED TO ALLOCATE CAPACITY-RELATED TRANSMISSION COST.

A. CenterPoint Houston proposes to use the unadjusted 4CP allocation factor based on the ~~ERCOT~~ CenterPoint Houston peak summer month periods to allocate capacity-related transmission costs. ~~This matches the use of the 4CP allocator the Commission uses for pricing wholesale transmission charges pursuant to PURA § 35.004(d) and is consistent with Commission rules and the Company's approved approach in Docket No. 38339.~~

2. Distribution Cost

Q. PLEASE DESCRIBE THE METHOD USED TO ALLOCATE DEMAND-RELATED DISTRIBUTION COST.

A. The methodology used for the demand-related distribution cost is based on the unadjusted average 4CP test year demand for electric power on CenterPoint Houston's distribution system at the time of ERCOT's peak summer month periods. This demand data is shown on Schedule II-H-1.3, sponsored by Dr. McMenamin. Furthermore, the allocation factors are determined at two points of service on the

distribution system: the substation and the overhead distribution lines. Since some customers are served exclusively on the underground ("UG") line distribution system and do not use the overhead line facilities, having the allocation factors determined at the substation and the overhead distribution line level allows certain costs of the UG line facilities to be allocated exclusively to those classes which have customers served from those facilities.

Q. WHY HAVE YOU ELECTED TO USE THE 4CP DEMAND METHODOLOGY FOR DEMAND-RELATED DISTRIBUTION COST?

A. The Company's distribution system is designed to serve the maximum load requirement of each individual retail customer at the same time. The Company's distribution system is strategically constructed to have the capability to reliably deliver the maximum load when demanded by the customer. CenterPoint Houston's customers' demand peaks are generally during the summer months of June, July, August, and September. All cost driven by system peak loads have been allocated to the classes based upon their contribution to the summer peak loads. The 4CP component of the Company's proposed allocator accomplishes this goal by isolating class contributions to system peak load during those four months. ~~The Company uses this 4CP component to allocate cost on the basis of class energy requirements (the average demand) and class contributions to system peak demand (the excess demand).~~ A 4CP demand allocation method captures the cost causation associated with the maximum coincident load of each rate class on the Company's distribution system.

[redacted]

Q. HOW IS RIDER UEDIT – UNPROTECTED EXCESS DEFERRED INCOME TAX ALLOCATED TO THE RATE CLASSES?

A. The proposed Rider UEDIT credit was assigned to the rate classes in the same proportion as the cost of service allocators, as shown in Schedule IV-J-7-UEDIT. The cost of service factor for each rate class is based on the percentage of total cost of service amount allocated to each rate class.

Q. HOW ARE OTHER EXPENSES ALLOCATED TO THE RATE CLASSES?

A. Other expenses such as O&M expenses, depreciation expenses, and taxes were functionalized on a cost-causation basis, as shown on Schedule I-A-1, sponsored by Ms. Colvin. The costs were then allocated to the rate classes using the ratios described in the II-I-2 Schedules.

Q. ARE THE ALLOCATIONS AND ALLOCATION METHODOLOGIES DESCRIBED ABOVE REASONABLE AND CONSISTENT WITH THE APPLICABLE RFP REQUIREMENTS?

A. Yes, these methodologies are reasonable and are consistent with the Commission's RFP instructions.

D. Class Cost of Service Study Results

Q. PLEASE SUMMARIZE THE RESULTS OF THE COMPANY'S CCOSS PROCESS.

A. In order to determine the appropriate level of costs and revenues to be assigned to each rate class, two retail delivery class cost of service studies were performed using the allocation methodologies described above. The Current Class Cost of Service Study (the "Current CCOSS") shows current revenue and relative rates of return by retail delivery class while the Proposed Class Cost of Service Study (the "Proposed CCOSS") shows the proposed revenue at the system-wide average rate of return by class. The mathematical difference between these two studies shows the change in revenue requirement (increase or decrease) by rate class and the corresponding percentage revenue change if CenterPoint Houston's rates are reset based on the costs and revenue requirements supported by this filing. These results are summarized below:

~~**Figure 1**~~

~~CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC~~
~~SUMMARY OF REVENUES BY RATE CLASS~~

~~Rate Class Description~~	~~Present Revenues[1]~~ ~~(a)~~	~~Proposed Revenues~~ ~~(b)~~	~~Rider UEDIT~~ ~~(c)~~	~~Change~~ ~~(d) = (b)+(c)-(a)~~	~~Change Pct~~ ~~(d)/(a)~~
~~Residential~~	~~$ 1,130,553,347~~	~~$ 1,217,814,820~~	~~$ (17,253,347)~~	~~$ 70,008,125~~	~~6.2%~~
~~Secondary <= 10kva~~	~~$ 32,594,719~~	~~$ 30,607,020~~	~~$ (431,501)~~	~~$ (2,419,200)~~	~~-7.4%~~
~~Secondary > 10Kva~~	~~$ 654,965,407~~	~~$ 739,867,066~~	~~$ (10,489,328)~~	~~$ 74,412,331~~	~~11.4%~~
~~Primary~~	~~$ 66,701,177~~	~~$ 70,089,549~~	~~$ (992,514)~~	~~$ 2,395,858~~	~~3.6%~~
~~Transmission~~	~~$ 143,211,958~~	~~$ 162,433,957~~	~~$ (2,313,032)~~	~~$ 16,908,977~~	~~11.8%~~
~~Miscellaneous Lighting~~	~~$ 3,843,864~~	~~$ 3,126,732~~	~~$ (44,200)~~	~~$ (761,332)~~	~~-19.8%~~
~~Street Lighting~~	~~$ 63,729,997~~	~~$ 58,264,534~~	~~$ (834,750)~~	~~$ (6,300,214)~~	~~-9.9%~~
~~Retail Electric Delivery Revenues~~	~~$ 2,095,600,469~~	~~$ 2,282,203,678~~	~~$ (32,358,663)~~	~~$ 154,244,545~~	~~7.4%~~
~~Wholesale Transmission~~	~~$ 388,968,021~~	~~$ 395,796,573~~		~~$ 6,828,552~~	~~1.8%~~
~~Total Cost of Service~~	~~$ 2,484,568,490~~	~~$ 2,678,000,251~~	~~$ (32,358,663)~~	~~$ 161,073,097~~	~~6.5%~~

~~[1] Test Year revenues have been adjusted to normalize billing units and adjust for DCRF and TCRF~~

D. Class Cost of Service Study Results

Q. PLEASE SUMMARIZE THE RESULTS OF THE COMPANY'S CCOSS PROCESS.

A. In order to determine the appropriate level of costs and revenues to be assigned to each rate class, two retail delivery class cost of service studies were performed using the allocation methodologies described above. The Current Class Cost of Service Study (the "Current CCOSS") shows current revenue and relative rates of return by retail delivery class while the Proposed Class Cost of Service Study (the "Proposed CCOSS") shows the proposed revenue at the system-wide average rate of return by class. The mathematical difference between these two studies shows the change in revenue requirement (increase or decrease) by rate class and the corresponding percentage revenue change if CenterPoint Houston's rates are reset based on the costs and revenue requirements supported by this filing. These results are summarized below: **Figure 1**

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
SUMMARY OF REVENUES BY RATE CLASS

Line	Rate Class Description	Number of Customers	Present Revenues[1] (a)	Proposed Revenues (b)	Rider UEDIT (c)	Change (d) = (b)+(c)-(a)	Change Pct (d)/(a)
1	Residential	2,198,225	$ 1,130,384,216	$ 1,219,245,756	$ (21,148,160)	$ 67,713,380	6.0%
2	Secondary <= 10kva	148,123	$ 32,590,600	$ 30,958,887	$ (534,163)	$ (2,165,876)	-6.6%
3	Secondary > 10Kva	137,862	$ 654,836,724	$ 740,383,955	$ (12,852,943)	$ 72,694,288	11.1%
6	Primary	999	$ 66,688,172	$ 70,053,774	$ (1,214,832)	$ 2,150,770	3.2%
9	Transmission	204	$ 143,168,131	$ 162,363,701	$ (2,833,419)	$ 16,362,151	11.4%
10	Miscellaneous Lighting	12,698	$ 3,843,864	$ 3,116,180	$ (53,900)	$ (781,584)	-20.3%
11	Lighting	5,100	$ 63,729,997	$ 57,986,328	$ (1,016,606)	$ (6,760,275)	-10.6%
12							
13	Retail Electric Delivery Revenues	2,503,211	$ 2,095,241,703	$ 2,284,108,581	$ (39,654,023)	$ 149,212,855	7.1%
14							
15	Wholesale Transmission Revenue		$ 388,968,021	$ 394,359,947		$ 5,391,926	1.4%
16							
17	Total Cost of Service		$ 2,484,209,724	$ 2,678,468,528	$ (39,654,023)	$ 154,604,781	6.2%

[1] Test Year revenues have been adjusted to normalize billing units and adjust for DCRF and TCRF

Equal to 10 kVA rate schedules, both the Transmission and Distribution Delivery Charges are recovered on a per kWh basis. For the Secondary Service Greater Than 10 kVA rate schedule, the Distribution Delivery Charge will be based on Billing Demand, using NCP kVA. With respect to the Primary Service rate schedule, Distribution Delivery Charges will be based on the Billing kVA, which is defined as NCP kVA billing demand with an 80% ratchet. Seasonal agriculture customers are exempted from the distribution ratchet. For Transmission Service, the Distribution Delivery Charges will be based upon 4CP kVA. For the Secondary Service Greater Than 10 kVA and the Primary Service rate schedules, the Transmission Charge billing determinant depends upon the type of meter attributed to the customer. For those customers classified as having an IDR meter, the charges for retail transmission service are billed using the customer's 4CP kVA demand at the date and time coincident with the ERCOT 4CP. For customers classified as having a non-IDR meter, the Transmission Charge billing determinants are based on the customer's monthly maximum NCP kVA demand. For the Transmission Service rate schedule, the Transmission Charge billing determinants will be 4CP kVA.

note: restored to original text

Unlike most service under the other rate classes, Lighting Services are unmetered and do not have a Customer Charge or Metering Charge. The distribution and transmission charges for Lighting Services are stated on a per-fixture basis, based on the type of lamp and its configuration.

charges to reflect the current cost of providing this service but proposes no other changes.

3. Rate CMC – Competitive Metering Credit

Q. IS THE COMPANY PROPOSING ANY CHANGES TO RIDER CMC – COMPETITIVE METERING CREDIT?

A. No. Rider CMC – Competitive Metering Credit is applicable to customers that qualify and choose to have a competitive meter. Rider CMC provides a credit to the billing for the customer to recognize that the meter is not owned or provided by CenterPoint Houston.

policies or provisions, and make the tariff more user-friendly. The Company also proposes to revise the Retail Tariff to incorporate the applicable terms of service in the specific rate schedules to which those terms of service apply and to move certain provisions to different sections of the Retail Tariff where those provisions were more logically addressed. The Company also incorporated certain forms of agreement that are often used by the Company in common transactions between the Company and its customers. Finally, the Company has updated its Construction Services policies and charges [redacted] for premium service requests from customers. These changes are summarized in Exhibit MAT-7.

Q. WHY IS THE COMPANY MAKING THESE NON-RATE TARIFF CHANGES AT THIS TIME?

A. The non-rate tariff changes are necessary for two reasons. First, the Company has added and revised language in the Retail Tariff many times throughout the years, some of which may be confusing or redundant or are no longer applicable, and this proceeding offers an opportunity to harmonize those revisions throughout the Retail Tariff for clarity and consistency. Also, some of the changes reflect the Company's experience in operating under these provisions over time and its understanding of how the provisions can be better worded so that they are easier for customers to understand and easier for the Company to apply. The basis for other non-rate tariff changes is addressed in the direct testimony of Ms. Sugarek.

PUBLIC UTILITY COMMISSION OF TEXAS
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
II-I-CLASS ALLOCATION SUMMARY
TEST YEAR ENDED 12/31/2018
DOCKET NUMBER PENDING ASSIGNMENT
SPONSOR: M. TROXLE
(THOUSANDS OF DOLLARS)

Lane No	Description	Total	Residential	Secondary <= 10 KVA	Secondary > 10 KVA	Primary Voltage	Transmission Voltage	Lighting SLS	Lighting MLS
	PROPOSED								
1	Base + TCRF Revenue	2,282,204	1,217,815	30,607	739,867	78,090	162,434	58,265	3,127
2	Other Revenue	66,092	34,275	707	21,352	1,938	5,424	2,314	81
3	Electric Operating Revenue	3,348,296	1,353,090	31,314	761,219	72,028	167,858	60,579	3,208
4	Revenue Deductions	1,869,238	994,669	25,539	590,456	58,739	140,907	37,376	2,431
5	Net Income from Operations	479,058	357,421	5,785	151,763	13,349	26,861	23,203	777
6	Rate Base	6,482,512	3,483,368	78,275	2,053,632	179,276	363,476	313,971	10,514
7	% Rate of Return	7.39%	7.39%	7.39%	7.39%	7.39%	7.39%	7.39%	7.39%
8	Relative Rate of Return	100%	100%	100%	100%	100%	100%	100%	100%
9									
10									
11	**CURRENT ADJUSTED**								
12	Base + TCRF Revenue + DCRF Revenue	2,095,600	1,130,553	32,595	654,965	66,701	143,212	63,739	3,835
13	Other Revenue	66,092	34,275	707	21,352	1,938	5,424	2,314	81
14	Electric Operating Revenue	2,161,693	1,164,829	33,303	676,318	68,639	148,636	66,053	3,916
15	Revenue Deductions	1,862,509	994,271	26,568	600,611	59,093	138,442	40,838	2,684
16	Net Income from Operations	299,184	170,557	6,734	75,707	9,546	10,194	25,215	1,231
17	Rate Base	6,482,512	3,483,368	78,275	2,053,632	179,276	363,476	313,971	10,514
18	% Rate of Return	4.62%	4.90%	8.60%	3.69%	5.32%	2.80%	8.03%	11.71%
19	Relative Rate of Return	100%	106%	186%	80%	115%	61%	174%	254%
20									
21									
22	**PROPOSED VS CURRENT**								
23	Base + TCRF Revenue - $	$ 186,603	$ 87,261	$ (1,988)	$ 84,902	$ 3,388	$ 19,222	$ (6,474)	$ (708)
24	Base + TCRF Revenue - %	8.90%	7.72%	-6.10%	12.96%	5.08%	13.42%	-8.50%	-18.47%
25	Other Revenue - $	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26	Other Revenue - %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
27	Total Revenue - $	$ 186,603	$ 87,261	$ (1,988)	$ 84,902	$ 3,388	$ 19,222	$ (6,474)	$ (708)
28	Total Revenue - %	5.83%	7.46%	-5.67%	12.55%	4.94%	12.93%	-8.20%	-18.08%

ERRATA 1