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

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

**REDACTED**

**DIRECT TESTIMONY**

**OF**

**JUNE M. DIVELY, CPA, CFF, CRFAC, DABFA**

**ON BEHALF OF**

**OFFICE OF PUBLIC UTILITY COUNSEL**

**JUNE 6, 2019**

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

**REDACTED  
DIRECT TESTIMONY OF JUNE M. DIVELY, CPA, CFF, CRFAC, DABFA  
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1 **I. WITNESS INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is June M. Dively. My business address is 3 Lakeway Centre Ct., Suite 110,  
4 Lakeway, Texas 78734.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by IX SI Investment Co, LLC as its CEO. In this case, I am providing  
7 services through its wholly owned subsidiary, Dively Energy Services Company  
8 ("DESC"). DESC is a consulting firm specializing in services within the energy industry,  
9 including utility cost of service. In this proceeding, I am testifying on behalf of the Office  
10 of Public Utility Counsel ("OPUC").

11 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL**  
12 **CREDENTIALS.**

13 A. I am a Certified Public Accountant, Certified in Financial Forensics by the American  
14 Institute of Certified Public Accountants, and a Certified Forensic Accountant. My  
15 consulting experience in the utility industry began in 1996 when I first started a  
16 consulting firm to provide services to the natural gas industry. In 2011, I formed Dively  
17 Energy Services, LLC ("DES"), and in 2017, DES was acquired by IX Si Investment Co,  
18 LLC and reorganized into DESC. I have participated in a variety of utility-related  
19 projects, including the preparation and review of utility rate change requests.

20 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE UTILITY REGULATORY**  
21 **BODIES?**

1 A. Yes. I have testified before the Public Utility Commission of Texas (“Commission”), the  
2 Railroad Commission of Texas, the Missouri Public Service Commission, and the  
3 Pennsylvania Public Utility Commission. My curriculum vitae is included as Attachment  
4 JMD-1.

5 **II. PURPOSE OF TESTIMONY**

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to address the appropriate amounts to be included in the  
8 calculation of revenue requirement for selected rate base, return, expenses, and other  
9 revenue items requested by CenterPoint Energy Houston Electric, LLC (“CenterPoint  
10 Houston” or the “Company”). In addition, I will present OPUC’s adjusted revenue  
11 requirement and recommend changes to the Company’s proposed riders.

12 **Q. TO THE EXTENT THAT YOU DO NOT ADDRESS A SPECIFIC ITEM OR**  
13 **ADJUSTMENT PROPOSED BY CENTERPOINT HOUSTON, SHOULD THAT**  
14 **BE CONSTRUED TO MEAN THAT YOU AGREE WITH CENTERPOINT**  
15 **HOUSTON’S PROPOSAL FOR THAT ITEM?**

16 A. No. Exclusion from my testimony of specific adjustments or amounts proposed by  
17 CenterPoint Houston does not indicate my approval of those adjustments or amounts, but  
18 rather that the scope of my testimony is limited to the specific items addressed herein.

19 **Q. WHICH SPECIFIC RATE BASE ITEMS DO YOU ADDRESS?**

1           A.     I address the following rate base items:

2               1. Regulatory Assets and Liabilities

3                   a. Deferred Hurricane Harvey Expenses – I recommend amortizing deferred  
4                   Hurricane Harvey expenses over five years and recovering the Hurricane  
5                   Harvey regulatory asset and associated amortization expense, net of the  
6                   Hurricane Ike residual regulatory liability and the adjustments  
7                   recommended by OPUC witness Karl Nalepa, through a rider.

8                   b. Medicare Part D – I recommend amortizing the Medicare Part D  
9                   regulatory asset over five years and recovering the Medicare Part D  
10                  regulatory asset and associated federal income tax expense through a rider.

11                  c. Texas Gross Margin Tax– I recommend disallowing recovery of the Texas  
12                  Gross Margin Tax regulatory asset in any form.

13                  d. Smart Meter Texas (“SMT”) – I recommend amortizing the SMT  
14                  regulatory asset over five years and recovering the SMT regulatory asset  
15                  and associated amortization expense through a rider.

16                  e. Retail Electric Provider (“REP”) Bad Debt Deferred Asset – I recommend  
17                  adjusting the amount of the REP bad debt regulatory asset, removing it  
18                  from rate base, and amortizing the adjusted REP bad debt regulatory asset  
19                  over five years to be included as expense in Account 904, Uncollectible  
20                  Accounts.

21               2. Prepayments – I recommended adjusting the amount of the thirteen-month  
22               average of prepayments to include 5 quarterly charges instead of 6.

1     **Q.     WHICH SPECIFIC EXPENSE ITEMS DO YOU ADDRESS?**

2     A.     I address the following expense items:

3             1. Compensation for Use of Capital – I recommend disallowing the full amount  
4                 requested for CenterPoint Houston’s affiliate expense described as Compensation  
5                 for Use of Capital from the cost of service.

6             2. Incentive Compensation – I recommend disallowing the full amount of the  
7                 expense and associated taxes requested for CenterPoint Houston’s long-term  
8                 incentive compensation plan and the portion of the expense and associated taxes  
9                 requested for CenterPoint Houston’s short-term incentive compensation plan that  
10                is associated with financially-based goals.

11            3. Affiliate Expenses – I recommend disallowing the adjustment to the affiliate  
12                expenses allocated to CenterPoint Houston to normalize integration planning  
13                billings.

14    **Q.     DOES YOUR TESTIMONY INCORPORATE RECOMMENDATIONS FROM**  
15    **OTHER OPUC WITNESSES?**

16    A.     Yes. Where appropriate and referenced herein, my testimony incorporates adjustments  
17             recommended by OPUC witness Karl Nalepa. Additionally, Section VI of my testimony  
18             quantifies the impact of OPUC witness Anjuli Winker’s recommended capital structure  
19             and overall rate of return.

20    **Q.     TAKEN IN THE AGGREGATE, WHAT IS THE OVERALL IMPACT OF**  
21    **OPUC’S ADJUSTMENTS ON THE REVENUE REQUIREMENT AND THE**

1       **NON-BYPASSABLE DELIVERY CHARGE REQUESTED BY CENTERPOINT**  
2       **HOUSTON?**

- 3       A.     The overall impact of OPUC's adjustments on the revenue requirement is a reduction of  
4             \$184,889,000. Additionally, OPUC's adjustments to increase riders by \$19,692,000  
5             results in a net reduction of \$165,197,000 in the total non-bypassable delivery charge.

6                               **III.     BACKGROUND**

7       **Q.     PLEASE DESCRIBE THE HISTORY OF THIS CASE.**

- 8       A.     On April 5, 2019, CenterPoint Houston filed a Statement of Intent and Application for  
9             Authority to Change Rates ("Application"). The Application supports a 7.4% increase in  
10            revenues from retail delivery service and an increase of approximately 1.8% in revenues  
11            from wholesale transmission service based upon a test year ended December 31, 2018.  
12            CenterPoint Houston filed this case in response to the rate scheduling requirements of 16  
13            Texas Administrative Code ("TAC") § 25.247(c)(2)(B) and the Company's commitment  
14            to file a base rate case no later than April 30, 2019.<sup>1</sup>

15       **Q.     WHEN WAS CENTERPOINT HOUSTON'S LAST BASE RATE INCREASE**  
16       **APPROVED BY THE COMMISSION?**

- 17       A.     The Commission issued an Order on Rehearing in CenterPoint Houston's last base rate  
18             case, *Application of CenterPoint Electric Delivery Company, LLC, for Authority to*  
19             *Change Rates*, Docket No. 38339, on June 23, 2011. That rate case was based upon a test

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<sup>1</sup> *Proceeding to Investigate and Address the Effects of the Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Letter to Commissioners (Feb. 13, 2018); Statement of Intent and Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates at 1 (Apr. 5, 2019) (Application).



1 year ending on December 31, 2009. Nine years have passed between the Company's test  
2 year in Docket No. 38339 and the test year in this case.

3 **Q. WHAT IS CENTERPOINT HOUSTON REQUESTING IN THIS CASE?**

4 A. In this case, CenterPoint Houston is requesting:

- 5 1. A higher equity ratio of 50% as opposed to its actual equity ratio of 45.5% and the  
6 45% equity ratio that was approved in Docket No. 38339;
- 7 2. A higher cost of equity of 10.4% as opposed to the 10% approved in Docket No.  
8 38339;
- 9 3. The recovery of deferred expenses associated with Hurricane Harvey, including  
10 carrying costs;
- 11 4. A prudence determination on all capital investment made in the transmission and  
12 distribution system since January 1, 2010;
- 13 5. The establishment of a rider to return to customers approximately \$119 million for  
14 the excess deferred federal income tax unprotected balance that resulted from the Tax  
15 Cuts and Jobs Act of 2017 ("TCJA");
- 16 6. Updated depreciation rates; and
- 17 7. Approval to clarify and update various non-rate provisions in Chapters 2 and 6 of its  
18 Tariff for Retail Delivery Service.

19 **Q. WHICH OF CENTERPOINT HOUSTON'S REQUESTS DO YOU ADDRESS IN**  
20 **YOUR TESTIMONY?**

21 A. With respect to CenterPoint Houston's specific requests, I quantify the impact of the  
22 capital structure and cost of equity recommended by OPUC witness Anjuli Winker and

1 address the recovery of the deferred expenses associated with Hurricane Harvey. In  
2 addition, I address the items summarized in Section III of my testimony.

#### 3 IV. RATE BASE

##### 4 A. REGULATORY ASSETS

##### 5 Q. WHAT ARE REGULATORY ASSETS?

6 A. The Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts  
7 ("USOA") defines regulatory assets and liabilities as assets and liabilities that result from  
8 rate actions of regulatory agencies. In particular, they result from specific revenues,  
9 expenses, gains, or losses that would have been included in the utility's net income in one  
10 period under the general requirements of the USOA, but for it being probable:

11 A. that such items will be included in a different period(s) for purposes of developing  
12 the rates that the utility is authorized to charge for its utility services, as in the  
13 case of expenses that are deferred for recovery in a future rate case proceeding; or

14 B. in the case of regulatory liabilities, that refunds to customers will be required, as  
15 in the case of refunds of Unprotected Excess Deferred Income Taxes ("UEDIT").<sup>2</sup>

16 Based upon this definition, the Commission must authorize a utility to record a regulatory  
17 asset or liability, otherwise, the costs recorded as regulatory assets or liabilities would  
18 have already impacted the historical net income of the utility.

##### 19 Q. DO REGULATORY ASSETS BENEFIT CENTERPOINT HOUSTON?

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<sup>2</sup> CFR Title 18, Chapter I, Subchapter C, Part 101 Definitions, No. 31.

1 A. Yes. For instance, absent a deferral mechanism for storm costs, CenterPoint Houston's  
2 net income would have been negatively impacted by the \$64.4 million in expenses  
3 associated with recovering from Hurricane Harvey. The ability to seek Commission  
4 approval to defer those expenses for recovery from customers in future periods shields  
5 the Company's net income from these costs, and therefore, benefits shareholders.

6 **Q. ARE UTILITIES PERMITTED TO INCLUDE REGULATORY ASSETS IN**  
7 **RATE BASE?**

8 A. The instructions addressing Schedule II-B-12 in the Commission's Rate Filing Package  
9 ("RFP") for transmission and distribution utilities ("TDUs") state:

10 The utility shall provide the total amount of requested regulatory assets  
11 detailed on an asset-by-asset basis for the Test Year, functionalized  
12 pursuant to General Instruction No. 11. For each item the utility claims as  
13 a regulatory asset, the utility shall specifically identify the Commission  
14 order (including applicable pages) or other authority upon which this  
15 claim is based. If the utility relies upon an authority other than a  
16 Commission order, a copy of the documents relied upon shall be provided.  
17 Supporting workpapers that fully and clearly explain the functionalization  
18 of each account or subaccount shall be included in the workpaper section,  
19 and any functionalization factors shall be referenced to the appropriate  
20 factors in Schedule II-F.<sup>3</sup>

21 Therefore, a utility may "request" to recover regulatory assets in rate base by providing  
22 specific evidence, either a Commission order or other documentary authority, to support  
23 the inclusion of these assets in rate base.

24 **Q. IS A UTILITY GUARANTEED TO EARN A RETURN ON ALL OF THE**  
25 **REGULATORY ASSETS THAT IT INCLUDES IN ITS RFP?**

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<sup>3</sup> Transmission & Distribution (TDU) Investor-Owned Utilities Rate Filing Package for Cost-of-Service Determination at 19 (Nov. 19, 2015) (TDU RFP).

1 A. No. The RFP sets forth the process and documentation required to request recovery of  
2 regulatory assets through rate base; however, following this process does not guarantee  
3 that these assets will be included in rate base. For instance, the Commission has  
4 previously authorized the recovery of deferred hurricane expenses through a Hurricane  
5 Cost Recovery Factor ("HCRF") Rider, rather than including those expenses in rate  
6 base.<sup>4</sup> Additionally, the Commission orders that created the regulatory assets that  
7 CenterPoint Houston is requesting did not specify whether the assets would be included  
8 in rate base and recovered as part of the cost of service used to set the Company's base  
9 rates.

10 **Q. WHAT IS THE EFFECT OF RECOVERING A REGULATORY ASSET AS**  
11 **PART OF RATE BASE?**

12 A. When a regulatory asset is included as part of rate base, the utility will earn a return on  
13 the regulatory asset and recover the amortization expense on the regulatory asset every  
14 year until the utility files its next rate case. For example, CenterPoint Houston has  
15 requested that a Hurricane Harvey regulatory asset of \$73.1 million be included in rate  
16 base with a 3-year amortization. After the first year, the balance of the regulatory asset  
17 would be approximately \$48.7 million, but the Company would still be earning a return  
18 on the \$73.1 million that it included in rate base. Similarly, at the end of the second year,  
19 the balance of the regulatory asset would be approximately \$24.3 million, but the  
20 Company would still be earning a return on the \$73.1 million that it included in rate base.

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<sup>4</sup> *Application of Texas-New Mexico Power Company to Change Rates*, Docket 48401, Findings of Fact Nos. 62-66 (Dec. 20, 2018).

1 By the fourth year, CenterPoint Houston would have recovered the entire Hurricane  
2 Harvey regulatory asset over its 3-year amortization period, but the Company would still  
3 be earning a return on the original \$73.1 million and recovering the related amortization  
4 expense of \$24.4 million per year on a fully depreciated asset.

5 **Q. WHEN IS IT APPROPRIATE TO RECOVER REGULATORY ASSETS**  
6 **THROUGH A RIDER RATHER THAN THROUGH BASE RATES?**

7 A. It is appropriate to recover regulatory assets through a rider, rather than including them in  
8 rate base, when the regulatory assets represent non-recurring costs in an amount that is  
9 reasonably small enough to be recovered over a relatively short period of time (i.e., 5  
10 years or less). This method of recovery reflects the general rate-making principle that  
11 base rates are set using a cost of service that is representative of the typical costs incurred  
12 by a utility each year. Additionally, a rider will allow a utility to only recover the full  
13 amount requested for a regulatory asset; thereby, preventing the utility from earning a  
14 return and recovering amortization expense on a fully amortized regulatory asset once the  
15 amortization period has ended.

16 **Q. WHAT RECOVERY PERIOD DO YOU GENERALLY RECOMMEND FOR A**  
17 **REGULATORY ASSET?**

18 A. Generally, I recommend a 5-year amortization period, because 5 years strikes a balance  
19 between achieving intergenerational equity and moderating the impact on current  
20 customer rates. Intergenerational equity is achieved when the recovery of costs is more  
21 closely matched with the customers that existed at the time that the costs were incurred  
22 by the utility.

1 **Q. PLEASE SUMMARIZE THE REGULATORY ASSETS INCLUDED IN**  
2 **CENTERPOINT HOUSTON'S RFP.**

3 A. CenterPoint Houston is requesting to include \$135.6 million in regulatory assets in its  
4 rate base amortized over a three-year period. The request is comprised of the following:

	<u>Million</u>
Hurricane expenses	\$ 73.1
Postretirement-Medicare Part D	33.2
Texas Gross Margin Tax	19.6
Smart Meter Texas	6.9
REP Bad Debt	1.6
Expedited Switching Costs	<u>1.2</u>
Total	\$ 135.6

13 **Q. WHICH OF THESE REGULATORY ASSETS DO YOU ADDRESS?**

14 A. In this section of my testimony, I address all of the regulatory assets requested by  
15 CenterPoint Houston, except Expedited Switching Costs, in the order presented above.

16 **1. Hurricane Expenses**

17 **Q. PLEASE SUMMARIZE CENTERPOINT HOUSTON'S REQUEST REGARDING**  
18 **HURRICANE HARVEY RESTORATION EXPENSES.**

19 A. CenterPoint Houston has requested to include \$73.1 million in deferred Hurricane Harvey  
20 restoration expenses in rate base as a regulatory asset. This amount is comprised of \$64.4  
21 million in deferred hurricane recovery expenses and \$8.7 million in carrying costs. In  
22 addition, CenterPoint Houston has requested recovery of the Hurricane Harvey regulatory  
23 asset over a three-year period as amortization expense, after a reduction of \$4.0 million  
24 related to residual Hurricane Ike restoration recoveries. The Company's request would  
25 result in an annual amortization expense of \$23.0 million calculated as follows:

1		<u>(\$1,000s)</u>
2	Hurricane Harvey restoration expenses	\$ 73,148
3	Hurricane Ike residual recovery, net	<u>(4,031)</u>
4	Total	69,117
5	Requested amortization period	<u>3</u>
6	Requested annual amortization expense	\$ 23,039

7 **Q. WHAT DOES THE HURRICANE IKE RESIDUAL RECOVERY REPRESENT?**

8 A. The \$4.0 million reduction represents a sales tax refund net of the additional costs  
9 incurred related to Hurricane Ike restoration, plus carrying charges.<sup>5</sup>

10 **Q. HOW HAS THE COMMISSION RECENTLY TREATED HURRICANE**  
11 **HARVEY RESTORATION EXPENSES?**

12 A. On December 20, 2018, the Commission's Order concerning the hurricane restoration  
13 expenses incurred by Texas-New Mexico Power ("TNMP") moved those costs to a Rider  
14 HCRF, with the balance amortized over five years.<sup>6</sup>

15 **Q. WHAT IS YOUR RECOMMENDATION REGARDING CENTERPOINT**  
16 **HOUSTON'S HURRICANE RESTORATION EXPENSES?**

17 A. Consistent with the Commission's Order in Docket No. 48401, I recommend that  
18 CenterPoint Houston's Hurricane Harvey costs be moved to a Rider HCRF and amortized  
19 over five years. Additionally, I recommend structuring and implementing Rider HCRF in  
20 a manner consistent with the Commission's Order in that case. Specifically, any carrying  
21 charges recovered via Rider HCRF should be limited to those accrued through the last

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<sup>5</sup> Direct Testimony of Kristie L. Colvin at 37:5-10 (Apr. 5, 2019) (Colvin Direct).

<sup>6</sup> Docket 48401, Findings of Fact Nos. 62-66; *see also Application of Texas-New Mexico Power Company for Authority to Change Rates*, Docket No. 36025, Finding of Fact No. 25 (Aug. 21, 2009) (approving a settlement agreement allowing TNMP to amortize costs for system restoration associated with Hurricane Ike over five years and to recover those costs via a rate rider).

1 day before the effective date of the rates that are approved in this case; within 30 days of  
2 the issuance of an order in this case, CenterPoint Houston should initiate a compliance  
3 docket related to Rider HCRF to review the reasonableness of the final amount of the  
4 carrying charges and the carrying charge rate applied; and CenterPoint Houston should  
5 collect Rider HCRF in rates only for as long as is necessary to recover the final Rider  
6 HCRF amounts approved in the compliance docket.

7 **Q. WHAT IS THE EFFECT OF YOUR RECOMMENDED ADJUSTMENT TO THE**  
8 **RECOVERY OF HURRICANE HARVEY COSTS ON CENTERPOINT**  
9 **HOUSTON'S COST OF SERVICE?**

10 A. By reducing rate base by \$59,623,000 and moving the recovery of Hurricane Harvey  
11 restoration expenses to Rider HCRF, I have reduced the cost of service by \$27,802,000,  
12 calculated as follows:

	<u>(\$1,000s)</u>
Remove Hurricane Harvey regulatory asset	\$ (73,148)
Increase ADFIT	<u>13,525</u>
Net Reduction to Rate Base	(59,623)
Recommended Rate of Return	<u>6.55%</u>
Reduction to Return	(3,905)
Remove Amortization Expense	(23,039)
Adjust Texas Gross Margin Tax	(198)
Adjust Federal Income Tax	<u>(660)</u>
Total Reduction to Cost of Service	\$ (27,802)

23 **Q. WHAT IS THE RESULTING AMOUNT OF RIDER HCRF?**

24 A. To reflect moving the recovery of Hurricane Harvey restoration costs to Rider HCRF, net  
25 of the recovery related to Hurricane Ike, reduced by adjustments recommended by OPUC



witness Karl Nalepa, and a five-year amortization period, I recommend that Rider HCRF recover an annual amortization expense of \$11.7 million as follows:

	<u>(\$1,000s)</u>
Hurricane Harvey restoration expenses	\$ 73,148
Hurricane Ike residual recovery, net	(4,031)
Adjustment recommend by OPUC <sup>7</sup>	<u>(10,799)</u>
Total	58,318
Recommended amortization period	<u>5</u>
Recommended annual recovery	\$ 11,644

**Q. AFTER CONSIDERING YOUR ADJUSTMENT TO COST OF SERVICE AND THE ESTABLISHMENT OF RIDER HCRF, WHAT IS THE NET IMPACT ON CUSTOMERS?**

A. The net impact on customers is a reduction of \$16,139,000, comprised of a reduction to cost of service of \$27,802,000 and an increase in charges through Rider HCRF of \$11,644,000.

## **2. Medicare Part D**

**Q. PLEASE EXPLAIN THE LEGISLATIVE HISTORY UNDERLYING CENTERPOINT HOUSTON'S EXPENSES RELATED TO MEDICARE PART D.**

A. The Medicare Prescription Drug Improvement and Modernization Act of 2003 expanded Medicare coverage to include prescription drug benefits for retirees that are equivalent to the benefits provided through Medicare Part D. The Act also provided a 28% non-taxable subsidy for an employer's cost for providing prescription drugs to its retirees. This subsidy did not diminish the tax deductibility of the subsidized prescription drug benefits

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<sup>7</sup> Direct Testimony of Karl Nalepa at Section V.C. (Jun. 6, 2019) (Nalepa Direct).

1 that CenterPoint Houston paid. However, the Patient Protection and Affordable Care Act  
2 and Health Care and Education Reconciliation Act of 2010 (“PPACA”) eliminated the  
3 non-taxable status of the subsidy beginning January 1, 2013. The actual amounts of the  
4 Medicare Part D subsidy that a company received prior to January 1, 2013 continued to  
5 be nontaxable, while amounts received during 2013 and beyond effectively became  
6 taxable. Consequently, CenterPoint Houston experienced an increase in income tax  
7 expense relating to the Medicare Part D subsidy beginning January 1, 2013 that was not  
8 included in the base rates established in its last rate case.

9 **Q. DID THE COMMISSION ADDRESS THE INCREASE IN INCOME TAX**  
10 **EXPENSE IN CENTERPOINT HOUSTON’S LAST BASE RATE CASE?**

11 A. Yes. The Commission addressed the increase in income tax expense attributable to  
12 Medicare Part D in Docket No. 38339. In that case, CenterPoint Houston proposed to  
13 amortize a \$9.3 million regulatory asset over a three-year period to account for its  
14 Medicare Part D subsidy receivable. The Commission denied recovery of the regulatory  
15 asset because the Commission concluded that PPACA’s effective date of January 1, 2013  
16 was too far into the future to address in the rates set in that proceeding.<sup>8</sup> However, the  
17 Commission did authorize CenterPoint Houston to continue to record as a regulatory  
18 asset the difference between what their rates assumed the Medicare Part B subsidy tax  
19 expense would be and the amount that the Company was actually required to pay. The

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<sup>8</sup> *Application of CenterPoint Energy Houston Electric, LLC*, Docket No. 38339, Order on Rehearing at 10 (Jun. 23, 2011).

Commission stated that the regulatory asset should be addressed in CenterPoint Houston's next rate case,<sup>9</sup> which is this case.

**Q. PLEASE SUMMARIZE CENTERPOINT HOUSTON'S REQUEST IN THIS CASE REGARDING MEDICARE PART D EXPENSES.**

A. CenterPoint Houston has included a 3-year amortization of Medicare Part D in its calculation of federal income tax expense, rather than as amortization expense, and a regulatory asset in rate base.<sup>10</sup>

**Q. WHAT IS YOUR RECOMMENDATION REGARDING THE AMORTIZATION OF MEDICARE PART D?**

A. I recommend that the Medicare Part D regulatory asset be removed from rate base and moved to a Rider MEDD with a 5-year amortization period.

**Q. WHAT IS THE EFFECT OF YOUR RECOMMENDED ADJUSTMENT TO THE RECOVERY OF MEDICARE PART D EXPENSES ON CENTERPOINT HOUSTON'S COST OF SERVICE?**

A. By reducing rate base by \$26,231,000 and moving the recovery of the Medicare Part D tax expense out of federal income tax expense and into Rider MEDD, I have reduced CenterPoint Houston's cost of service by \$13,171,000, calculated as follows:

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<sup>9</sup> *Id.*

<sup>10</sup> Direct Testimony of Charles Pringle at 45:4-12 (Apr. 5, 2019) (Pringle Direct).

1		<u>(\$1,000s)</u>
2	Remove Medicare Part D regulatory asset	\$ (33,204)
3	Increase ADFIT	<u>6,973</u>
4	Net Reduction to Rate Base	(26,231)
5	Recommended Rate of Return	<u>6.55%</u>
6	Reduction to Return	(1,718)
7	Adjust Texas Gross Margin Tax	(94)
8	Adjust Federal Income Tax	<u>(11,359)</u>
9	Total Reduction to Cost of Service	\$ (13,171)

10 **Q. WHAT IS THE RESULTING AMOUNT OF RIDER MEDD?**

11 A. To reflect moving the recovery of the Medicare Part D deferred regulatory asset to Rider  
 12 MEDD, and a five-year amortization period, I recommend that Rider MEDD recover an  
 13 annual amortization of \$6.6 million calculated as follows:

14		<u>(\$1,000s)</u>
15	Medicare Part D Regulatory Asset <sup>11</sup>	\$ 33,204
16	Recommended amortization period	<u>5</u>
17	Recommended annual recovery	\$ 6,641

18 **Q. AFTER CONSIDERING YOUR ADJUSTMENT TO THE COST OF SERVICE**  
 19 **AND THE ESTABLISHMENT OF RIDER MEDD, WHAT IS THE NET IMPACT**  
 20 **ON CUSTOMERS?**

21 A. The net impact on customers is a reduction of \$6,530,000, comprised of a reduction to  
 22 cost of service of \$13,171,000 and an increase in charges through Rider MEDD of  
 23 \$6,641,000.

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<sup>11</sup> Includes gross up for tax on tax.

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<sup>14</sup> *Id.* at 39:3-5.

1       § 25.243(d).<sup>15</sup> CenterPoint Houston included an amount based on the 2014 revenues and  
2       0.95% tax rate used to calculate the Texas Gross Margin Tax payment that it made during  
3       the 2015 calendar year.<sup>16</sup> However, Commission Staff recommended using the 2015  
4       revenues and the current tax rate of 0.75% because this amount was more closely related  
5       to the “Current Net Distribution Capital” included in the Company’s Application, which  
6       covered investments made in calendar year 2015.<sup>17</sup> To justify its interpretation,  
7       CenterPoint Houston relied on the methodology used to calculate the Texas Gross Margin  
8       Tax expense in its last rate case, Docket No. 38339, as well as the Commission’s decision  
9       in Docket No. 29526, which addressed the Company’s stranded costs and other true-up  
10      balances after unbundling.<sup>18</sup> However, the DCRF proceeding was ultimately resolved by  
11      settlement, and therefore, the treatment of the Texas Gross Margin Tax was not litigated  
12      in that case.<sup>19</sup>

13   **Q.   WHAT COMMISSION ORDER OR OTHER AUTHORITY HAS CENTERPOINT**  
14   **HOUSTON CITED AS EVIDENCE SUPPORTING ITS TEXAS GROSS MARGIN**  
15   **TAX REGULATORY ASSET?**

16   **A.**   CenterPoint Houston contends that the Commission approved this accounting practice in  
17      Docket No. 29526 and the Company is requesting the same approval in this case.<sup>20</sup>

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<sup>15</sup> *Application of CenterPoint Energy Houston Electric, LLC*, Docket No. 45747, Direct Testimony of Ruth Stark at 5:13-7:15 (Jun. 3, 2016) (Stark Direct).

<sup>16</sup> Docket No. 45747, Direct Testimony of Mary A. Kirk at 25:3-11 (Apr. 4, 2016) (Kirk Direct).

<sup>17</sup> Docket No. 45747, Stark Direct at 7:1-7, 9:13-10:9.

<sup>18</sup> Docket No. 45747, Kirk Direct at 27:1-28:2.

<sup>19</sup> Docket No. 45747, Ordering Paragraph Nos. 1-2 (Jul. 20, 2016).

<sup>20</sup> Colvin Direct at 40:1-6.

1 **Q. DO YOU AGREE WITH CENTERPOINT HOUSTON'S ACCOUNTING**  
2 **TREATMENT OF THE TEXAS GROSS MARGIN TAX REGULATORY ASSET**  
3 **IN THIS CASE?**

4 A. No. I do not agree for the following five reasons, which I discuss in more detail below:

- 5 • The purpose of the regulatory rate-making process is to establish rates that  
6 will allow a utility a reasonable opportunity to earn a reasonable return on its  
7 invested capital and not to prescribe future accounting treatment unless  
8 specifically addressed in a Commission Order;
- 9 • The Commission's Order in Docket No. 29526 does not support CenterPoint  
10 Houston's request;
- 11 • CenterPoint Houston did not include a regulatory asset related to the Texas  
12 Gross Margin Tax in its last base rate case, Docket No. 38339;
- 13 • CenterPoint Houston's current rates include an expense for the Texas Gross  
14 Margin Tax and the Company has not asserted that it has been denied  
15 recovery of a reasonable amount for Texas Gross Margin Tax; and,
- 16 • CenterPoint Houston's accounting treatment, if based upon the Company's  
17 interpretation of generally accepted accounting principles ("GAAP"), is  
18 flawed.

19 **Q. PLEASE DISCUSS THE REGULATORY RATE-MAKING PROCESS AND HOW**  
20 **IT IMPACTS ACCOUNTING TREATMENT.**

21 A. The purpose of the regulatory rate-making process is to establish a utility's overall  
22 revenues at an amount that will allow the utility a reasonable opportunity to earn a

1 reasonable return on its invested capital in excess of reasonable and necessary operating  
2 expenses.<sup>21</sup> The process sets rates at a level that will generate the overall revenues  
3 approved by the Commission. Typically, the methods used to determine the amounts that  
4 comprise the overall revenues include the application of GAAP. To maintain uniformity  
5 across the industry, a utility should not apply an accounting treatment that departs from  
6 GAAP absent a Commission order to do so. This aspect of the rate-making process is  
7 reflected in the Commission's requirement that a utility provide evidence of the  
8 Commission order or other authority that authorizes each requested regulatory asset.

9 **Q. WHAT ESTABLISHES THE ACCOUNTING PRINCIPLES THAT UTILITIES**  
10 **ARE REQUIRED TO FOLLOW?**

11 A. The accounting principles that utilities must follow are determined by the FERC USOA,  
12 which utilities are required to use under 16 TAC § 25.72(c), and GAAP. Neither the  
13 FERC USOA nor GAAP allow a departure from established accounting principles absent  
14 specific authorization from a regulatory agency.

15 **Q. DO YOU AGREE WITH CENTERPOINT HOUSTON'S CLAIM THAT THE**  
16 **COMMISSION'S DECISION IN DOCKET NO. 29526 SUPPORTS THE**  
17 **COMPANY'S REQUEST FOR A TEXAS GROSS MARGIN TAX**  
18 **REGULATORY ASSET?**

19 A. No. Docket No. 29526 specifically dealt with stranded costs and other true-up balances  
20 under PURA § 39.262 related to the transition to competition. Under regulation, utilities  
21 were required to invest in generation assets that would not hold their value in a

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<sup>21</sup> PURA § 36.051.



1 competitive market. To address the now uneconomic portion of these assets, the  
2 Legislature authorized the recovery of these stranded costs if certain conditions were met  
3 by the utility. In Docket No. 29526, CenterPoint Houston was allowed to record a  
4 regulatory asset to recover \$14,187,517 in deferred debits resulting from the  
5 proportionate share of its Texas Franchise taxes (what is now the “Texas Gross Margin  
6 Tax”) related to uneconomic generation assets.<sup>22</sup> The Commission’s decision in Docket  
7 No. 29526 authorized the recovery of stranded costs. The fact that those stranded costs  
8 resulted from the Texas Franchise taxes was not the basis for the decision. Additionally,  
9 the stranded-cost proceedings stemmed from a regulatory change (i.e., the transition to  
10 competition)<sup>23</sup> and is not applicable here where no change in regulation has occurred.

11 **Q. HAS CENTERPOINT HOUSTON MET THE TDU RFP REQUIREMENT TO**  
12 **IDENTIFY THE COMMISSION ORDER, INCLUDING APPLICABLE PAGES,**  
13 **OR OTHER AUTHORITY TO SUPPORT ITS CLAIM FOR A TEXAS GROSS**  
14 **MARGIN TAX REGULATORY ASSET?**

15 A. No, as discussed above, CenterPoint Houston has not specifically identified a  
16 Commission order, including applicable pages, or other authority that supports its request  
17 for a Texas Gross Margin Tax regulatory asset.

18 **Q. PLEASE DISCUSS CENTERPOINT HOUSTON’S REQUEST FOR**  
19 **REGULATORY ASSETS IN ITS LAST BASE RATE CASE.**

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<sup>22</sup> *Application of CenterPoint Energy Houston Electric, LLC, Reliant Energy Retail Services, LLC and Texas Genco, LP to Determine Stranded Costs and Other True-Up Balances Pursuant to PURA § 39.262, Docket No. 29526, Order on Rehearing at 47 (Dec. 17, 2004).*

<sup>23</sup> *Id.*

1 A. Attachment JMD-2 provides a copy of Schedule II-B from CenterPoint Houston's RFP  
2 from Docket No. 38339, which shows total regulatory assets of \$58,340,000. Attachment  
3 JMD-2 also provides a copy of Schedule II-B-12 from the Company's Docket No. 38339  
4 RFP, which shows the breakdown of the regulatory assets as \$57,887,000 for Deferred  
5 Pension Costs under PURA § 36.065 and \$453,000 for Expedited Switching. CenterPoint  
6 Houston did not include a regulatory asset related to the Texas Gross Margin Tax in its  
7 last RFP and should not be allowed to do so in this rate case.

8 **Q. DID THE COST OF SERVICE THAT WAS APPROVED IN CENTERPOINT**  
9 **HOUSTON'S LAST BASE RATE CASE INCLUDE AN AMOUNT FOR THE**  
10 **TEXAS GROSS MARGIN TAX?**

11 A. Yes. Attachment JMD-3 provides a copy of Schedule II-E-2 from CenterPoint Houston's  
12 RFP from Docket No. 38339, which shows Texas Margin Taxes of \$16,338,000, and  
13 Schedule I-A-1 which shows the Company's total request for Taxes Other than Income  
14 Taxes of \$223,865,000 (line 3, column 3), inclusive of Texas Margin Taxes. Although  
15 CenterPoint Houston included an amount for the Texas Gross Margin Tax in its last base  
16 rate case, it did not include a regulatory asset.

17 **Q. HAS CENTERPOINT HOUSTON ASSERTED THAT IT HAS BEEN DENIED**  
18 **RECOVERY OF ITS TEXAS GROSS MARGIN TAX EXPENSE?**

19 A. No. CenterPoint Houston has not asserted that it has been denied recovery of its Texas  
20 Gross Margin Tax expense. However, CenterPoint Houston is claiming that it is entitled  
21 to recover a \$20 million regulatory asset, in addition to the Gross Margin Tax expense,

1 solely because of the difference between its accounting treatment and its regulatory  
2 treatment.

3 **Q. WHY IS CENTERPOINT HOUSTON'S ACCOUNTING TREATMENT**  
4 **FLAWED?**

5 A. Even if CenterPoint Houston had identified a Commission order or other authority as  
6 required by the TDU RFP, the Company recorded the amounts in Account 179, which is  
7 not a valid account under the FERC USOA.<sup>24</sup> In addition, the cost of service on which the  
8 Company's current rates are based includes an amount for its Texas Gross Margin Tax  
9 expense and the Company recovers this expense each year. Therefore, the only  
10 unrecovered amount that could result from the transition to the accrual method of  
11 accounting is the difference between the cumulative historical accrual-based amounts  
12 incurred by the Company and the historical amounts recovered in rates for the same  
13 periods. However, the Company's approach would constitute strictly-prohibited  
14 retroactive rate-making by attempting to set future rates in a manner that will allow  
15 CenterPoint Houston to recoup past losses.<sup>25</sup>

16 **Q. WHAT IS YOUR RECOMMENDATION REGARDING CENTERPOINT**  
17 **HOUSTON'S TEXAS GROSS MARGIN TAX REGULATORY ASSET?**

18 A. I recommend that CenterPoint Houston's request to recover the \$19,627,000 regulatory  
19 asset related to the Texas Gross Margin Tax be denied by the Commission.

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<sup>24</sup> In response to RFI COH 03-41 (Attachment JMD-4), CenterPoint Houston provided a schedule showing the detail for Account 179060.

<sup>25</sup> See *State v. Pub. Util. Comm'n of Tex.*, 883 S.W.2d 190, 198-99 (Tex. 1994).

1 **Q. WHAT IS THE EFFECT OF YOUR RECOMMENDED ADJUSTMENT TO THE**  
2 **TEXAS GROSS MARGIN TAX REGULATORY ASSET ON CENTERPOINT**  
3 **HOUSTON'S COST OF SERVICE?**

4 A. By reducing rate base by \$19,627,000 for the Texas Gross Margin Tax regulatory asset, I  
5 have reduced the cost of service by \$8,103,000, calculated as follows:

		<u>(\$1,000s)</u>
6		
7	Remove Texas Gross Margin Tax regulatory asset	\$ (19,627)
8	Recommended Rate of Return	<u>6.55%</u>
9	Reduction to Return	(1,286)
10	Remove Amortization Expense	(6,543)
11	Adjust Texas Gross Margin Tax	(58)
12	Adjust Federal Income Tax	<u>(217)</u>
13	Total Reduction to Cost of Service	\$ (8,103)

14 **4. Smart Meter Texas**

15 **Q. PLEASE EXPLAIN THE NATURE OF CENTERPOINT HOUSTON'S**  
16 **REQUESTED REGULATORY ASSET RELATED TO SMART METER TEXAS**  
17 **COSTS.**

18 A. SMT costs are the costs incurred to develop, operate, and maintain the common web  
19 portal required by 16 TAC § 25.130(d), (g) and (j), and authorized in CenterPoint  
20 Houston's Advanced Metering System ("AMS") deployment plan.<sup>26</sup>

21 **Q. HAS THE COMMISSION PREVIOUSLY ADDRESSED CENTERPOINT**  
22 **HOUSTON'S SMT REGULATORY ASSET AND ITS RECOVERY?**

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<sup>26</sup> *Application of CenterPoint Energy Houston Electric, LLC for the Final Reconciliation of Advanced Metering Costs*, Docket No. 47364, Finding of Fact No. 13(e) (Dec. 14, 2017).

1 A. Yes. In Docket No. 47364, the Commission allowed CenterPoint Houston to establish a  
2 regulatory asset in which to record SMT costs incurred after the end of the final  
3 reconciliation period in that case, and prior to the implementation date of new base rates  
4 resulting from its next comprehensive base rate proceeding.<sup>27</sup> In addition, the  
5 Commission allowed CenterPoint Houston to recover all SMT costs found reasonable  
6 using an appropriate amortization period to be determined in the next base rate  
7 proceeding.<sup>28</sup> This rate case is that proceeding. However, while the Commission stated  
8 that the costs could be recovered using an appropriate amortization period, it is important  
9 to note that the Commission was silent as to whether those costs would be included in  
10 rate base.

11 **Q. PLEASE SUMMARIZE CENTERPOINT HOUSTON'S REQUEST REGARDING**  
12 **THE RECOVERY OF SMT COSTS.**

13 A. CenterPoint Houston has included a regulatory asset of \$6,939,000 in rate base for the  
14 SMT costs that it incurred after the end of the final reconciliation period in Docket No.  
15 47364 and has requested an amortization period of three years.

16 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE RECOVERY OF**  
17 **SMT COSTS?**

18 A. I recommend that SMT costs be removed from rate base and placed in an SMT cost  
19 recovery rider ("Rider SMTCR") with a 5-year amortization period. My recommendation  
20 is based on Commission precedent approving a similar amortization period for the

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<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

recovery of significant Hurricane Harvey costs, as discussed above, and the 5-year amortization period that was authorized for TNMP's under-collection of AMS-related costs in Docket No. 48401 that included SMT costs.<sup>29</sup>

**Q. WHAT IS THE EFFECT OF YOUR RECOMMENDED ADJUSTMENT TO THE RECOVERY OF SMT COSTS ON CENTERPOINT HOUSTON'S COST OF SERVICE?**

A. By reducing rate base by \$5,441,000 and moving the recovery of SMT costs to Rider SMTCR, I have reduced the cost of service by \$2,749,000, calculated as follows:

	<u>(\$1,000s)</u>
Remove SMT regulatory asset	\$ (6,939)
Increase ADFIT	<u>1,498</u>
Net Reduction to Rate Base	(5,441)
Recommended Rate of Return	<u>6.55%</u>
Reduction to Return	(356)
Remove Amortization Expense	(2,313)
Adjust Texas Gross Margin Tax	(20)
Adjust Federal Income Tax	<u>(60)</u>
Total Reduction to Cost of Service	\$ (2,749)

**Q. WHAT IS THE RESULTING AMOUNT OF RIDER SMTCR?**

A. To reflect moving the recovery of SMT costs to Rider SMTCR, and a five-year amortization period, I recommend that Rider SMTCR recover \$1.39 million annually, calculated as follows:

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<sup>29</sup> Docket 48401 at Finding of Fact No. 69.

1		<u>(\$1,000s)</u>
2	SMT costs	\$ 6,939
3	Recommended amortization period	<u>5</u>
4	Recommended annual recovery	\$ 1,388

**Q. AFTER CONSIDERING YOUR ADJUSTMENT TO COST OF SERVICE AND THE ESTABLISHMENT OF RIDER SMTCR, WHAT IS THE NET IMPACT ON CUSTOMERS?**

**A.** The net impact on customers is a reduction of \$1,361,000, comprised of a reduction to cost of service of \$2,749,000 and an increase in charges through Rider SMTCR of \$1,388,000.

#### **5. REP Bad Debt**

**Q. PLEASE EXPLAIN THE NATURE OF CENTERPOINT HOUSTON'S REQUESTED REGULATORY ASSET RELATED TO REP BAD DEBT.**

**A.** REPs collect CenterPoint Houston's receivables from the distribution of electricity to their own retail customers. Historically, various adverse economic conditions or financial difficulties have caused a REP to default on its payment to the Company. Under 16 TAC § 25.107(f)(3)(B), CenterPoint Houston is allowed to establish a regulatory asset for bad debt expenses resulting from a REP's default, net of collateral and bad debt currently included in rates. In addition, the Company is allowed to request amortization of the regulatory asset as a recoverable cost in a rate case proceeding; however, the rule is silent as to whether the Company will be allowed to earn a return on the regulatory asset.

**Q. PLEASE SUMMARIZE CENTERPOINT HOUSTON'S REQUEST REGARDING THE RECOVERY OF REP BAD DEBT.**

1 A. CenterPoint Houston has requested a regulatory asset of \$1.6 million in rate base related  
2 to REP bad debt that it has incurred and has requested an amortization period of 3 years.

3 **Q. HOW DID CENTERPOINT HOUSTON CALCULATE ITS REGULATORY**  
4 **ASSET?**

5 A. In response to RFI COH 03-41, CenterPoint Houston provided the calculation of its REP  
6 bad debt regulatory asset.<sup>30</sup> The calculation includes \$511,290 in bad debt from  
7 specifically identified REPs plus \$1,058,255 that represents a credit reversal of \$12,026  
8 per month from the period beginning September 2011 through December 2018.  
9 Attachment JMD-5 is a copy of WP II-D-2.2.1 from Docket No. 38339 showing net  
10 credits of \$144,308 for REP bad debt. The \$12,026 monthly amount is calculated by  
11 dividing the \$144,308 by 12.

12 **Q. HAVE YOU IDENTIFIED A PROBLEM WITH CENTERPOINT HOUSTON'S**  
13 **REGULATORY ASSET BALANCE RELATING TO REP BAD DEBT?**

14 A. Yes. As previously discussed, the Commission requires REP bad debt to be calculated net  
15 of collateral and bad debt currently included in rates. CenterPoint Houston's current rates  
16 do not include REP bad debt, but rather, the \$144,308 credit described above. Typically,  
17 credits like this represent recoveries of bad debt, and not bad debt expense. If this credit  
18 is a recovery, it is a recovery for bad debt incurred outside of the test year used in Docket  
19 No. 38339, since CenterPoint Houston had no offsetting bad debt expense during the test  
20 year in that case. Additionally, the Company has not provided a justification for reversing

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<sup>30</sup> Attachment JMD-4.



1 the credit included in its last rate case to yield a material adjustment to its REP bad debt  
2 regulatory asset in this case that increases the balance of the asset by 200%.

3 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE RECOVERY OF**  
4 **THE REP BAD DEBT REGULATORY ASSET REQUESTED BY**  
5 **CENTERPOINT HOUSTON?**

6 A. I recommend reducing the balance of CenterPoint Houston's REP bad debt regulatory  
7 asset by \$1,058,255, to exclude the credit reversal, removing the remaining balance from  
8 rate base, and amortizing it as bad debt expense over 5 years.

9 **Q. WHY HAVEN'T YOU RECOMMENDED A RIDER TO RECOVER THE REP**  
10 **BAD DEBT REGULATORY ASSET?**

11 A. I have not recommended a rider because REP bad debt expense is a recurring expense  
12 that is charged to Account 904, Uncollectible Accounts, in accordance with the FERC  
13 USOA. Therefore, CenterPoint Houston's cost of service should include an amount that  
14 is representative of the REP bad debt expense that CenterPoint Houston incurs annually  
15 as a reasonable and necessary expense that is recoverable through base rates.

16 **Q. WHAT IS THE EFFECT OF YOUR RECOMMENDED ADJUSTMENT TO REP**  
17 **BAD DEBT EXPENSE ON CENTERPOINT HOUSTON'S COST OF SERVICE?**

18 A. By reducing rate base by \$1,240,000, reducing the balance of CenterPoint Houston's  
19 REP bad debt regulatory asset by \$1,058,255, and amortizing the adjusted regulatory  
20 asset over 5 years, I have reduced the cost of service by \$520,000, calculated as follows:

1		<u>(\$1,000s)</u>
2	Remove REP Bad Debt regulatory asset	\$ (1,570)
3	Increase ADFIT	<u>330</u>
4	Net Reduction to Rate Base	(1,240)
5	Recommended Rate of Return	<u>6.55%</u>
6	Reduction to Return	(81)
7	Bad debt expense	(421)
8	Adjust Texas Gross Margin Tax	(1)
9	Adjust Federal Income Tax	<u>(14)</u>
10	Total Reduction to Cost of Service	\$ (520)

11 **B. PREPAYMENTS**

12 **Q. PLEASE DESCRIBE THE NATURE OF THE PREPAYMENTS INCLUDED IN**  
13 **CENTERPOINT HOUSTON'S REQUESTED RATE BASE.**

14 A. Prepayments are expenses that have been paid by a company in one period but are not  
15 actually incurred until a future period. CenterPoint Houston is requesting recovery of an  
16 adjusted 13-month average of prepayments of \$190.4 million. The components of the  
17 adjusted prepayments are as follows: \$5.9 million of Prepay-Insurance, \$5.3 million of  
18 Prepay-Other Taxes, \$2.9 million of Prepay-Other, and \$176.3 million of Prepay-  
19 Pension.<sup>31</sup>

20 **Q. HAS CENTERPOINT HOUSTON MADE ANY ADJUSTMENTS TO ITS**  
21 **PREPAYMENTS?**

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<sup>31</sup> RFP Schedule II-B-10.

1 A. Yes. CenterPoint Houston has excluded a 13-month average of \$3.8 million related to  
2 Prepay-Exec Benefits. The Company has also excluded certain items in the Prepay-Other  
3 account related to Global Positioning Services that were charged to an affiliate.<sup>32</sup>

4 **Q. ARE THERE ANY OTHER ADJUSTMENTS THAT ARE NECESSARY TO**  
5 **CENTERPOINT HOUSTON'S REQUESTED PREPAYMENTS?**

6 A. Yes. I found an extra quarterly charge during the 13-month period based on my analysis  
7 of the Prepay-Other Taxes account detail provided in TB-Monthly tab supporting WP II-  
8 B-10.<sup>33</sup> This charge resulted in the erroneous inclusion of 6 quarterly charges, rather than  
9 5. To correct this error, I recommend that the 13-month average of prepayments be  
10 adjusted to remove the extra charge, as follows:

	<u>Company</u> <u>Request</u>	<u>OPUC</u> <u>Adjusted</u>
12-2017	\$ 11,546,338	\$ 11,546,338
01-2018		
02-2018		
03-2018	11,546,338	11,546,388
04-2018		
05-2018		
06-2018	11,478,689	11,478,689
07-2018		
08-2018	11,479,733	
09-2018		11,479,733
10-2018		
11-2018	11,479,733	
12-2018	11,479,733	11,479,733
13-Month Average	\$ 5,308,505	\$ 4,425,449

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<sup>32</sup> *Id.*

<sup>33</sup> WP II-B-10.

1 Q. WHAT IS THE EFFECT OF YOUR RECOMMENDED ADJUSTMENT TO  
2 PREPAYMENTS FOR OTHER TAXES ON CENTERPOINT HOUSTON'S COST  
3 OF SERVICE?

4 A. By reducing rate base by \$883,056 (\$5,308,505 - \$4,425,449), I have reduced the cost of  
5 service by \$68,000, calculated as follows:

	(\$1,000s)
Adjustment to 13-month average	\$ (883)
Recommended Rate of Return	6.55%
Reduction to Return	(58)
Adjust Texas Gross Margin Tax	(0)
Adjust Federal Income Tax	(10)
Total Reduction to Cost of Service	\$ (68)

13 V. CAPITAL STRUCTURE AND RATE OF RETURN

14 Q. WHICH OPUC WITNESS SUPPORTS OPUC'S RECOMMENDED CAPITAL  
15 STRUCTURE AND RATE OF RETURN IN THIS CASE?

16 A. The direct testimony of OPUC witness Anjuli Winker supports OPUC's recommended  
17 capital structure and rate of return.

18 Q. WHAT RATE OF RETURN DOES MS. WINKER RECOMMEND?

19 A. Ms. Winker recommends an overall rate of return of 6.55%.<sup>34</sup>

20 Q. DID YOU RECALCULATE CENTERPOINT HOUSTON'S TOTAL ADJUSTED  
21 REVENUE REQUIREMENT USING MS. WINKER'S RECOMMENDED RATE  
22 OF RETURN?

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<sup>34</sup> Direct Testimony of Anjuli Winker at 4:12-17 (Jun. 6, 2019).

1 A. Yes. Using Ms. Winker's recommended rate of return results in a downward adjustment  
2 to the Total Adjusted Revenue Requirement of \$72,087,000 (\$53,888,000 in return +  
3 \$17,686,000 in federal income taxes + \$513,000 in Texas Gross Margin Tax).

4 **VI. EXPENSES**

5 **A. COMPENSATION FOR USE OF CAPITAL**

6 **Q. PLEASE DESCRIBE CENTERPOINT HOUSTON'S REQUEST RELATED TO**  
7 **COMPENSATION FOR USE OF CAPITAL.**

8 A. CenterPoint Houston has included in its cost of service a payment of \$7,786,463  
9 described as Compensation for Use of Capital. The amount is based upon the recently  
10 filed 2018 FERC Form 60 for CenterPoint Energy Service Company, LLC (the "Service  
11 Company") and reflects the bundled services charged to CenterPoint Houston by various  
12 Service Company business units.<sup>35</sup>

13 **Q. HOW DOES CENTERPOINT HOUSTON DESCRIBE THE PURPOSE OF**  
14 **COMPENSATION FOR USE OF CAPITAL?**

15 A. Based on the Company's response to RFI PUC 02-37, the purpose of Compensation for  
16 Use of Capital is to provide the Service Company a return on the assets that it owns and  
17 uses to provide bundled services to CenterPoint Houston and its other affiliates. The  
18 \$7,786,463 payment from CenterPoint Houston to the Service Company is the portion of  
19 the total return on investment the Service Company earns on these shared assets that is  
20 allocated to CenterPoint Houston.

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<sup>35</sup> Attachment JMD-6, CenterPoint Houston's Response to RFI PUC 02-37.

1   **Q.   WHAT IS THE STANDARD USED TO EVALUATE PAYMENTS TO AN**  
2   **AFFILIATE?**

3   A.   PURA § 36.058 allows a utility to recover costs paid to an affiliate entity if the utility  
4   demonstrates that the payments are reasonable and necessary for each item or class of  
5   items as determined by the Commission, and if the price charged by the affiliate to the  
6   utility is no higher than the price charged by the affiliate to other purchasers. The affiliate  
7   transaction standard is a heightened standard because affiliate transactions are not arms-  
8   length, and therefore, raise the possibility for self-dealing.<sup>36</sup>

9   **Q.   HAS CENTERPOINT HOUSTON MET THE AFFILIATE TRANSACTION**  
10   **STANDARD REGARDING ITS PAYMENT TO THE SERVICE COMPANY FOR**  
11   **COMPENSATION FOR USE OF CAPITAL?**

12   A.   No. The instructions for the TDU RFP require that Schedule V-K-7 show “the categories  
13   of services included in the affiliate transmission and distribution costs; the amount in the  
14   Test Year; a discussion of necessity and reasonableness of the services/costs; and a ‘no  
15   higher than’ standard analysis.”<sup>37</sup> CenterPoint Houston has failed to meet this  
16   requirement because its testimony does not address the Compensation for Use of Capital  
17   embedded in its revenue requirement. Without evidence showing the types of bundled  
18   services that are provided using these assets, there is no way to analyze whether it is  
19   reasonable and necessary to provide the Service Company with a return on these assets.

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<sup>36</sup> *R.R. Comm’n of Tex. v. Rio Grande Valley Gas Co.*, 683 S.W.2d 783, 786 (Tex. App.—Austin 1984, no writ).

<sup>37</sup> TDU RFP at 67.

1 Therefore, CenterPoint Houston has not demonstrated that the Compensation for Use of  
2 Capital meets the affiliate transaction standard.

3 **Q. HAVE YOU IDENTIFIED ANY PROBLEMS WITH THE REASONABLENESS**  
4 **OF CENTERPOINT HOUSTON'S CALCULATION OF THE \$7,786,463 IN**  
5 **COMPENSATION FOR USE OF CAPITAL?**

6 A. Yes. In response to RFI GCCC 01-09, CenterPoint Houston provided its calculations.<sup>38</sup>  
7 Based on the response, I have identified problems with the net book value of the assets  
8 used in the calculation and with the rate of return.

9 **Q. PLEASE DESCRIBE THE PROBLEMS YOU IDENTIFIED WITH THE NET**  
10 **BOOK VALUE OF THE ASSETS USED BY CENTERPOINT HOUSTON TO**  
11 **CALCULATE COMPENSATION FOR USE OF CAPITAL.**

12 A. CenterPoint Houston described the \$115,021,629 net book value of the assets used in the  
13 calculation as "Estimated Net Book Value as of 12/31/2017". The Company also  
14 included a footnote stating, "Net Book Value Estimate is calculated during the planning  
15 process using June 30, 2017 Net Book Value and adjusted for the remaining 2017  
16 depreciation and adjustments."<sup>39</sup> The Company did not provide any of the calculations  
17 supporting the estimated amounts, precluding a review of the estimated depreciation, the  
18 depreciation rates applied, or the adjustments referenced in the footnote. Additionally,  
19 the test year in this case ended December 31, 2018 and CenterPoint Houston failed to  
20 explain why it used 2017 amounts rather than using the actual balances for the Service

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<sup>38</sup> Attachment JMD-7, CenterPoint Houston's Response to RFI GCCC 01-09.

<sup>39</sup> *Id.*

1 Company's shared assets as of December 31, 2018, which was available in time for  
2 inclusion in its RFP.

3 **Q. PLEASE DESCRIBE THE PROBLEMS YOU IDENTIFIED WITH THE RATE**  
4 **OF RETURN USED BY CENTERPOINT HOUSTON TO CALCULATE**  
5 **COMPENSATION FOR USE OF CAPITAL.**

6 A. CenterPoint Houston applied an unreasonable overall rate of return of 11.37% to the  
7 Estimated Net Book Value of the Service Company's shared assets as of December 31,  
8 2017. The Company provided its calculation of the rate of return in response to RFI PUC  
9 02-38.<sup>40</sup> I identified the following problems with CenterPoint Houston's calculation of its  
10 overall rate of return:

- 11 • The cost of debt included in the calculation is 6.92%, rather than the 4.38%  
12 requested by CenterPoint Houston in this case;
- 13 • The return on equity is 11.25%, rather than the 10.40% requested by CenterPoint  
14 Houston in this case;
- 15 • The capital structure is 60% debt and 40% equity, rather than the 50% debt and  
16 50% equity requested by CenterPoint Houston in this case; and
- 17 • A tax gross-up factor of 1.6044 was used, which appears to use a 35% federal tax  
18 rate plus approximately 4.29% in undisclosed other taxes.

19 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE AMOUNT OF**  
20 **COMPENSATION FOR USE OF CAPITAL THAT SHOULD BE INCLUDED IN**  
21 **CENTERPOINT HOUSTON'S COST OF SERVICE?**

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<sup>40</sup> Attachment JMD-8, CenterPoint Houston's Response to PUC 02-38.



1 A. I recommend that the cost of service be reduced by the full \$7,786,463 included for  
2 Compensation for Use of Capital, because CenterPoint Houston has not demonstrated  
3 that this payment to its affiliate is just and reasonable under PURA § 36.058. The  
4 required reduction to cost of service is calculated as follows:

		<u>(\$1,000s)</u>
5		
6	Reduce operations and maintenance expense	\$ (7,786)
7	Adjust Texas Gross Margin Tax	<u>(56)</u>
8	Total Reduction to Cost of Service	\$ (7,842)

9 **B. INCENTIVE COMPENSATION**

10 **Q. PLEASE DESCRIBE CENTERPOINT HOUSTON’S REQUEST REGARDING**  
11 **INCENTIVE COMPENSATION.**

12 A. CenterPoint Houston has requested recovery of costs associated with both a Long-term  
13 Incentive Compensation Plan (“LTI Plan”) and a Short-term Incentive Compensation  
14 Plan (“STI Plan”).

15 **Q. ARE INCENTIVE COMPENSATION PLANS A REASONABLE AND**  
16 **NECESSARY COMPONENT OF COMPENSATION?**

17 A. Yes. Many utilities provide incentive compensation plans to attract and retain employees.

18 **Q. WHAT DETERMINES WHETHER CENTERPOINT HOUSTON’S INCENTIVE**  
19 **COMPENSATION PLANS ARE REASONABLE AND NECESSARY FOR THE**  
20 **PROVISION OF UTILITY SERVICE?**

21 A. Whether the cost of an incentive compensation plan is reasonable and necessary for the  
22 provision of utility service is dependent upon the goals used to determine the payouts to  
23 employees under the plan. Incentive compensation tied to financially-based goals, like

1 earnings per share, primarily benefits shareholders and is not reasonable and necessary to  
2 provide utility service. In contrast, incentive compensation tied to performance-based  
3 goals, such as safety, reliability, and customer service, provides benefits to customers and  
4 is reasonable and necessary to provide utility service. I discuss the goals associated with  
5 each of CenterPoint Houston's incentive compensation plans in their respective sections  
6 later in my testimony.

7 **Q. HAS THE COMMISSION EVER DENIED RECOVERY OF FINANCIALLY-**  
8 **BASED INCENTIVE COMPENSATION?**

9 A. Yes. The following are examples from Commission Orders in two recent cases:

10 The Commission has repeatedly ruled that a utility cannot recover the cost  
11 of financially-based incentive compensation because financial measures  
12 are of more immediate benefit to shareholders and financial measures are  
13 not necessary or reasonable to provide utility services.<sup>41</sup>

14 It is well-established that a utility may not include in its rates the costs of  
15 incentives that are tied to financial-performance measures. The  
16 Commission agrees with the SOAH ALJs' characterization of the annual  
17 incentive plan as "complicated" and notes that when a utility elects to  
18 adopt a compensation plan that involves both financially-based and  
19 performance-based metrics, the utility still must show it has removed all  
20 aspects of the financially-based goals from its requested expense. Based  
21 on the testimony of the experts offered by AXM and OPUC, the  
22 Commission is not convinced SPS's adjustment fully captured the  
23 financial aspects of the annual incentive plan. Yet, SPS has sufficiently  
24 demonstrated that some portion of the plan is tied to performance-based  
25 objectives and is part of the necessary expense of attracting and retaining  
26 qualified Xcel employees. Therefore, removing all the expense of the plan  
27 would likewise be improper. Ultimately, the Commission adopts the  
28 amount of plan expense that OPUC recommended as an alternative. This

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<sup>41</sup> *Application of Entergy Texas, Inc. for Rate Case Expenses Pertaining to PUC Docket No. 39896, Docket No. 40295, Order at 2 (May 21, 2013).*

1 amount better reflects that the plan has a financially-based earnings-per-  
2 share trigger and requires Xcel employees to meet metrics that include  
3 financial goals, in addition to performance-related goals.<sup>42</sup>

4 These prior cases confirm that the Commission does not allow recovery of financially-  
5 based incentive compensation and that the Commission will seek to remove financially-  
6 based portions of an incentive compensation plan from rate base.

7 **Q. HAS THE COMMISSION EVER DENIED CENTERPOINT HOUSTON'S**  
8 **REQUEST FOR INCENTIVE COMPENSATION?**

9 A. Yes. In Docket No. 38339, the Commission found that the Company's LTI was "not a  
10 reasonable and necessary component of CenterPoint's Total compensation package."<sup>43</sup>

11 **Q. WHAT IS YOUR OPINION OF CENTERPOINT HOUSTON'S TESTIMONY**  
12 **SUPPORTING HOW INCENTIVE PLANS BENEFIT CUSTOMERS?**

13 A. CenterPoint Houston witness Lynne Harkel-Rumford states that the achievement of  
14 strong financial performance is a direct benefit to customers. Ms. Harkel-Rumford states  
15 that strong financial performance is a direct result of the Company's prudent management  
16 of operating expenses and that total shareholder return growth attracts capital for  
17 maintaining and investing in the Company's infrastructure.<sup>44</sup> However, these financial  
18 performance measures impact the Company's shareholders before they impact its

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<sup>42</sup> *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Order at 5 (Dec. 18, 2015); *see also Application of Southwestern Electric Power Company for Authority to Change Rates and Reconcile Fuel Costs*, Docket No. 40443, Finding of Fact No. 215 (Oct. 10, 2013); *Application of AEP Texas Central Company for Authority to Change Rates*, Docket No. 33309, Finding of Fact No. 82 (Mar. 4, 2007); *Application of AEP Texas Central Company for Authority to Change Rates*, Docket No. 28840, Findings of Fact Nos. 164-170 (Aug. 15, 2005).

<sup>43</sup> Docket No. 38339, Finding of Fact No. 82.

<sup>44</sup> Direct Testimony of Lynne Harkel-Rumford at 32:19-9 (Apr. 5, 2019) (Harkel-Rumford Direct).

1 customers in a subsequent rate case. Additionally, Ms. Harkel-Rumford does not provide  
2 evidence to support her assertion that the Company's incentive compensation plans yield  
3 these direct benefits for consumers.

4 **Q. IF RECOVERY IS DENIED, DO YOU BELIEVE THAT CENTERPOINT**  
5 **HOUSTON SHOULD END ITS INCENTIVE PLANS?**

6 A. No. CenterPoint Houston should consider modifying the goals associated with its  
7 incentive compensation plans to ensure recovery in a future rate case.

8 **1. LTI Plan**

9 **Q. PLEASE SUMMARIZE YOUR FINDINGS REGARDING CENTERPOINT**  
10 **HOUSTON'S LTI PLAN.**

11 A. I reviewed CenterPoint Houston's proposed expense for its LTI Plan. I concluded that all  
12 of the goals associated with the Company's LTI Plan are exclusively shareholder  
13 oriented, and therefore, the LTI plan should not be included in the Company's cost of  
14 service.

15 **Q. WHAT IS THE PURPOSE OF THE LTI PLAN?**

16 A. According to Ms. Harkel-Rumford, the LTI Plan is essential for attracting, retaining, and  
17 motivating its plan participants, particularly the Company's executives and other key  
18 employees who can influence the Company's long-term performance. The LTI Plan is  
19 designed to focus the Company's plan participants on sustained **improvements in the**  
20 **Company's performance** over longer periods of time, typically three years.<sup>45</sup>

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<sup>45</sup> Harkel-Rumford Direct at 29:8-13 (emphasis added).

1 Q. WHAT WERE THE PERFORMANCE GOALS OF CENTERPOINT  
2 HOUSTON'S LTI PLAN BASED ON?

3 A. CenterPoint Houston's LTI Plan costs during the test year are represented by the  
4 performance shares and restricted stock during the three-year periods that overlap with  
5 the 2018 test year: 2016 through 2018, 2017 through 2019, and 2018 through 2020. The  
6 LTI Plan goals for these periods are based on total shareholder return and operating  
7 income for 2016 and 2017, and on total shareholder return and net utility income for  
8 2018.<sup>46</sup> Tying the amount of LTI benefits that a plan participant can earn to the return  
9 earned by CenterPoint Houston's shareholders and the Company's income would shift  
10 the plan participant's focus to financially-based goals. The financially-based goals would  
11 primarily benefit the Company's shareholders.

12 Q. WHAT IS YOUR RECOMMENDATION REGARDING CENTERPOINT  
13 HOUSTON'S LTI PLAN COSTS?

14 A. Because the LTI Plan is based exclusively on financially-based goals, I recommend a  
15 complete disallowance of the LTI Plan costs. My recommended disallowance is a  
16 \$12,116,000 reduction to the cost of service, comprised of \$11,250,000 in LTI Plan  
17 expenses, \$780,000 in payroll taxes, and \$86,000 in Texas Gross Margin Tax.

18 **2. STI Plan**

19 Q. PLEASE SUMMARIZE YOUR FINDINGS REGARDING CENTERPOINT  
20 HOUSTON'S STI PLAN.

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<sup>46</sup> *Id.* at 30:20-23.

1 A. I reviewed CenterPoint Houston's WP II-D-3.6.1a, which provided the percentage of  
2 overall funding for its STI Plan by goal. I concluded that 82.68% of the employee goals  
3 in the STI Plan were financially-based goals, and therefore, 82.68% of the STI Plan costs  
4 should be removed from cost of service.

5 **Q. WHAT IS THE PURPOSE OF THE STI PLAN?**

6 A. According to CenterPoint Houston witness Lynne Harkel-Rumford, the STI Plan  
7 provides the opportunity for all employees to earn incentive pay based on the attainment  
8 of annual goals that include **operating income, earnings per share, operations and**  
9 **maintenance expenditure management**, customer satisfaction, and safety.<sup>47</sup>

10 **Q. DO YOU BELIEVE THAT CENTERPOINT HOUSTON'S STI PLAN IS**  
11 **REASONABLE AND NECESSARY FOR THE PROVISION OF UTILITY**  
12 **SERVICE?**

13 A. Partially. The STI Plan goals associated with operating income, earnings per share, and  
14 operations and maintenance expenditure management are financially-based goals and  
15 should not be recoverable by CenterPoint Houston. These goals focus plan participants  
16 on conduct that foremost benefits shareholders, rather than customers. However, the STI  
17 Plan goals associated with customer satisfaction and safety should be recoverable by the  
18 Company since these goals foremost benefit consumers.

19 **Q. WHAT IS YOUR RECOMMENDATION REGARDING CENTERPOINT**  
20 **HOUSTON'S STI PLAN COSTS?**

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<sup>47</sup> Harkel-Rumford Direct at 29:8-13 (emphasis added).

1 A. Because 82.68% of the STI Plan's goals are financially-based, I recommend disallowing  
2 82.68% of the STI Plan costs. My recommended disallowance is a \$12,579,000 reduction  
3 to the cost of service, comprised of \$11,656,000 in STI Plan expenses, \$834,000 in  
4 payroll taxes, and \$90,000 in Texas Gross Margin Tax.

5 **VII. AFFILIATE COSTS - VECTREN TRANSACTION**

6 **Q. PLEASE DESCRIBE THE NATURE OF THE RELATIONSHIP BETWEEN THE**  
7 **SERVICE COMPANY AND CENTERPOINT HOUSTON.**

8 A. The Service Company is a wholly owned subsidiary of CenterPoint Energy ("CNP") that  
9 provides various corporate and administrative services to CNP's operating divisions,  
10 including CenterPoint Houston. Schedule V-K-1 includes a total of \$323.8 million of  
11 affiliate expenses allocated to CenterPoint Houston in the test year, including expenses  
12 from the Service Company.

13 **Q. WERE THERE ANY CHANGES TO THE ORGANIZATIONAL STRUCTURE**  
14 **OF CNP THAT MAY AFFECT THE RELATIONSHIP BETWEEN**  
15 **CENTERPOINT HOUSTON AND ITS AFFILIATED ENTITIES?**

16 A. Yes. On February 1, 2019, CNP merged with Vectren Corporation ("Vectren"), which  
17 served over 1 million natural gas and electricity customers in the states of Ohio and  
18 Indiana as of the date of the transaction. By comparison, CenterPoint Houston served  
19 approximately 2.5 million customers at the end of the test year.<sup>48</sup>

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<sup>48</sup> Direct Testimony of Kenny M. Mercado at 1 (Apr. 5, 2019).

1 **Q. DID CNP PREVIOUSLY SERVE ANY CUSTOMERS OR HAVE ANY**  
2 **OPERATIONS IN THE STATES OF INDIANA OR OHIO PRIOR TO THE**  
3 **VECTREN ACQUISITION?**

4 A. No. CNP had not previously operated in these states.<sup>49</sup>

5 **Q. HAS CENTERPOINT HOUSTON MADE ANY ADJUSTMENTS TO THE**  
6 **AMOUNT OF THE AFFILIATE EXPENSES THAT IT REQUESTED IN THE**  
7 **RFP AS A RESULT OF THE VECTREN ACQUISITION?**

8 A. Yes. CenterPoint Houston made multiple adjustments to its affiliated expenses, which  
9 totaled \$5.2 million. Included in these adjustments was an increase to the revenue  
10 requirement of \$1.6 million to normalize integration planning billings.<sup>50</sup> This adjustment  
11 was comprised of an increase to the revenue requirement of \$1,512,347, with an  
12 additional \$60,941 being charged to construction work in progress and not included in  
13 rate base.<sup>51</sup>

14 **Q. PLEASE DESCRIBE THE PURPOSE OF THE \$1.6 MILLION ADJUSTMENT**  
15 **TO THE REVENUE REQUIREMENT TO NORMALIZE INTEGRATION**  
16 **PLANNING BILLINGS.**

17 A. Integration planning refers to employee activities related to the merger with Vectren. The  
18 \$1.6 million amount is the estimated cost of the time that the Service Company  
19 employees spent on integration planning activities. The Company asserts that the entire  
20 \$1.6 million represents the Service Company employee time that would have otherwise

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<sup>49</sup> Attachment JMD-9, CenterPoint Houston's Response to RFI OPUC 01-12 at subpart a.

<sup>50</sup> Direct Testimony of Michelle M. Townsend at 46:7-10 (Apr. 5, 2019).

<sup>51</sup> Application at WP V-K-6; Attachment JMD-10, CenterPoint Houston's Response to RFI GCCC 01-13.



1        been charged to CenterPoint Houston had the merger not occurred. According to  
2        CenterPoint Houston witness Michelle Townsend, the planning phase of the integration  
3        “ended on the day the merger occurred.”<sup>52</sup>

4        **Q.    IS IT APPROPRIATE FOR CENTERPOINT HOUSTON TO INCLUDE**  
5        **ESTIMATED AMOUNTS IN THE REVENUE REQUIREMENT?**

6        A.    No. Commission rules define allowable expenses as a utility’s “historical test year  
7        expenses as adjusted for known and measurable changes.”<sup>53</sup> The adjustment to test year  
8        affiliate expenses to normalize integration planning costs is an estimate, not a known and  
9        measurable amount. There is no real way to know if all of the employee time would have  
10       been billed to CenterPoint Houston absent the Vectren acquisition, or will be billed to  
11       CenterPoint Houston in the future.

12       **Q.    DOES THE SERVICE COMPANY EXPECT TO REALIZE ANY COST**  
13       **SAVINGS FOR CENTERPOINT HOUSTON RELATED TO THE VECTREN**  
14       **ACQUISITION?**

15       A.    Yes. According to Ms. Townsend, the Vectren acquisition caused increases in the  
16       affiliate charges allocated to Vectren and decreases in the affiliate charges allocated to  
17       other business units, including CenterPoint Houston. However, the Company  
18       acknowledged that the full amount of the change is not known at this time.<sup>54</sup>

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<sup>52</sup> Attachment JMD-10.

<sup>53</sup> 16 TAC § 25.231(b).

<sup>54</sup> Attachment JMD-9 at subpart d.

1 Q. HAS CENTERPOINT HOUSTON PROVIDED ANY ADDITIONAL  
2 INFORMATION THAT SUPPORTS KNOWN AND EXPECTED CHANGES AS  
3 A RESULT OF THE VECTREN ACQUISITION?

4 A. [REDACTED]  
5 [REDACTED].<sup>55</sup> Further, the Vectren  
6 acquisition resulted in a reduction of headcount of 32 FTEs.<sup>56</sup>

7 Q. DO YOU AGREE WITH CENTERPOINT HOUSTON'S ADJUSTMENT TO  
8 INCREASE THE REVENUE REQUIREMENT BY \$1.6 MILLION TO  
9 NORMALIZE INTEGRATION PLANNING BILLINGS?

10 A. No. I recommend that the full \$1.6 million adjustment to normalize affiliate billings for  
11 integration planning be disallowed.

12 Q. PLEASE EXPLAIN YOUR RATIONALE FOR DISALLOWING THE \$1.6  
13 MILLION ADJUSTMENT TO NORMALIZE INTEGRATION PLANNING  
14 BILLINGS.

15 A. I recommend disallowance of the \$1.6 million increase to the revenue requirement for the  
16 following reasons:

- 17 • As previously discussed:
- 18 ○ the amount of the adjustment is estimated and not known and measurable;
- 19 ○ CNP knows and expects that it will realize savings and such analysis is
- 20 typical of pre-acquisition activities;

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<sup>55</sup> Attachment JMD-11, CenterPoint Houston's Response to RFI GCCC 01-14 (Confidential).

<sup>56</sup> Attachment JMD-12, CenterPoint Houston's Response to RFI PUC 02-15.

- When CNP acquired Vectren, entirely new service area was added with over 1 million customers;
  - the acquisition has already caused a reduction of 32 FTEs; and
  - CNP knows that the affiliate charges to Vectren will increase and the affiliate charges to CenterPoint Houston will decrease.
- Although the integration planning phase has terminated, the implementation phase of the merger is ongoing. Considering the type of functions that the Service Company billed during integration planning, such as customer solutions, technology, and human resources, it is reasonable to assume that some of these same functions would be billed as part of the implementation of the merger.<sup>57</sup>

**Q. WHAT IS YOUR RECOMMENDED ADJUSTMENT TO THE REVENUE REQUIREMENT?**

**A.** I recommend reducing the revenue requirement by \$1,523,202, which is comprised of the \$1,512,347 charged to accounts for affiliate expenses plus the related Texas Gross Margin Tax of \$10,855.

## **VIII. SUMMARY OF FINDINGS**

**Q. PLEASE PROVIDE A SUMMARY OF OPUC'S ADJUSTED REVENUE REQUIREMENT, INCLUDING THE ADJUSTMENTS OF OTHER OPUC WITNESSES.**

**A.** The following provides a summary OPUC's adjusted revenue requirement:

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<sup>57</sup> Attachment JMD-10.

1		<u>(\$1,000s)</u>
2	CenterPoint Houston's proposed Cost of Service	\$ 2,284,110
3	Impact of OPUC Recommended Adjustments:	
4	Hurricane Harvey regulatory asset	(27,802)
5	Medicare Part D regulatory asset	(13,171)
6	Texas Gross Margin Tax regulatory asset	(8,103)
7	SMT regulatory asset	(2,749)
8	REP bad debt	(520)
9	Prepayments	(68)
10	Compensation for Use of Capital	(7,842)
11	LTI Plan	(12,116)
12	STI Plan	(12,579)
13	Vectren	(1,523)
14	Rate of Return adjustment by OPUC witness Anjuli Winker	(72,087)
15	Adjustments by OPUC witness Karl Nalepa:	
16	Distribution Vegetation Management	(6,896)
17	Storm Loss Reserves	(1,642)
18	Capital Expenditure Prudence	(12,837)
19	Change in Capitalization Policy	(3,965)
20	Loss on the Sale of Land	(732)
21	SMT Expense	<u>(256)</u>
22	Total Reduction to Revenue Requirement	<u>(184,889)</u>
23	Total Adjusted Revenue Requirement	<u>\$ 2,099,221</u>

24 **Q. PLEASE PROVIDE A SUMMARY OF OPUC'S ADJUSTED RIDERS.**

25 A. The following provides a summary of OPUC's recommended adjusted riders:

26		<u>(\$1,000s)</u>
27	CenterPoint's Proposed Riders	\$ 301,221
28	Impact of OPUC Recommended Riders:	
29	HCRF <sup>58</sup>	11,664
30	MEDD	6,641
31	SMTCR	<u>1,388</u>
32	Total Recommended Increase to Riders	<u>19,692</u>
33	Total Adjusted Riders	<u>\$ 320,913</u>

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<sup>58</sup> As adjusted by OPUC witness Karl Nalepa.

1 Q. WHAT IS THE NET IMPACT OF OPUC'S RECOMMENDED ADJUSTMENTS  
2 ON CENTERPOINT HOUSTON'S TOTAL NON-BYPASSABLE DELIVERY  
3 CHARGE?

4 A. The net impact of OPUC's recommended adjustments on CenterPoint Houston's total  
5 non-bypassable delivery charge is a reduction of \$165,197,000, calculated as follows:

		<u>(\$1,000s)</u>
	Total Adjusted Revenue Requirement	\$ 2,099,221
	Total Adjusted Riders	<u>320,913</u>
	Total Adjusted Non-bypassable Delivery Charge	2,420,134
	CenterPoint Houston's Requested Total Non-bypassable	
	Delivery Charge	<u>2,585,331</u>
	Net Recommended Reduction	<u>\$ 165,197</u>

13 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

14 A. Yes.

## **ATTACHMENTS**

**JUNE M. DIVELY, CPA, CFF, CRFAC, FABFA****CONTACT INFORMATION**

3 Lakeway Centre Court, Suite 110, Lakeway, TX 78734  
 Phone: (512) 261-4152 Email: [junedively@divelyenergy.com](mailto:junedively@divelyenergy.com)

**PROFILE**

Based in Lakeway, Texas, June Dively has over thirty years of experience specializing in financial, forensic, and regulatory matters in the energy industry, including electric, natural gas, and water. She is CEO of IX Si Investment Co and its subsidiary entities, including Dively Energy Services Company, through which she provides consulting services to the energy industry, and SiEnergy, LP, a natural gas distribution company. Ms. Dively has testified as an expert witness in both written and oral form on behalf of a number of clients. She assists attorneys in various phases of proceedings, including: early case assessment; analyzing financial, accounting and economic issues; developing strategies; preparing interrogatories and document requests; preparing expert reports; and providing expert testimony. As SiEnergy's CEO, she directs the management team consisting of the executives responsible for gas utility operations, engineering and construction, development, contracts and risk management, gas supply, accounting and human resources. She has managed all aspects of the company including negotiation of gas cost contracts, reconciliation of gas cost mechanisms, regulatory accounting and reporting compliance, rate increase requests, and corporate financing.

**CERTIFICATIONS AND DESIGNATIONS**

- Certified Public Accountant, Texas (CPA)
- Certified in Financial Forensics by the AICPA (CFF)
- Certified Forensic Accountant (CRFAC)
- Fellow of the American Board of Forensic Accounting (FABFA)

**PROFESSIONAL ASSOCIATIONS**

- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- American Board of Forensic Accounting

**SELECTED ENGAGEMENTS**

- *Texas Office of Public Utility Counsel* – Expert and forensic services and testimony related to the Application of Texas-New Mexico Power Company for Authority to Change Rates. PUC Docket No. 48401
- *Texas Office of Public Utility Counsel* – Expert and forensic services and testimony related to the Review of the Rate Case Expenses Incurred by Southwestern Electric Power Company and Municipalities in Docket No. 46449. PUC Docket No. 47141
- *Texas Office of Public Utility Counsel* – Expert and forensic services and testimony related to the Review of the Rates Case Expenses incurred in Docket 45414. PUC Docket No. 45979
- *Texas Office of Public Utility Counsel* – Expert and forensic services and testimony related to the Review of the Rates of Sharyland Utilities, L.P. PUC Docket No. 45414
- *Confidential Individual* – Expert and forensic services related to a dispute involving alleged misappropriation of assets involving multiple business entities.
- *C.P. Foster, Jr. and C.P. Foster Oil & Gas LP* – Expert and forensic services related to C.P. Foster, Jr. and C.P. Foster Oil & Gas LP vs. Chestnut Exploration and Production, Inc. and Mark Plummer alleging fraudulent inducement and misappropriation of revenues involving multiple business entities.
- *Pioneer Natural Resources USA, Inc.* – Expert services and determination of revenue requirement to establish common carrier rates for West Texas LPG Pipeline Limited Partnership.
- *Texas Office of Public Utility Counsel* – Expert and forensic services and testimony related to the Application of El Paso Electric Company to Change Rates. PUC Docket No. 44941
- *Texas Office of Public Utility Counsel* – Expert and forensic services and testimony related to the Joint Report and Application of Oncor Electric Delivery Company LLC, Ovation Acquisition I, LLC, Ovation Acquisition II, LLC, and Shary Holdings, LLC for Regulatory Approvals pursuant to PURA §§14.101, 37.154, 39.262(I)-(m), and 39.915. PUC Docket No. 45188

- *XOG Operating, LLC, and Geronimo Holding Corporation* – Expert services and report regarding asserted violation of agreements by Chesapeake Exploration Limited Partnership and Chesapeake Exploration, LLC. Cause No. 12,375 in the District Court of Wheeler County TX 21<sup>st</sup> Judicial District.
- *Peregrine Pipeline Company and Peregrine Field Services* – Expert services and testimony regarding Peregrine Pipeline Company and Peregrine Field Services v. XTO Energy Inc. breach of contract.
- *Midstream Capital Partners Group* – Expert services related to \$185 million acquisition of gathering assets by Ares EIF Group from WPX Energy, Inc. and operated by Midstream Capital Partners
- *Starfish Pipeline Company* – Financial accounting and regulatory oversight
- *Midstream Capital Partners Group* – Financial acquisition due diligence related to offshore transmission and gathering pipelines and onshore separation and administrative facilities
- *Texas Office of Public Utility Counsel* – Expert services related to the application of water and sewer rate/tariff changes for Aqua Texas, Inc in the southeast region in Chambers, Liberty, and Jefferson counties – TCEQ Docket No. 2013-2007-UCR
- *Ute Indian Tribe, Utah* – Feasibility services related to waxy crude upgrader refinery in the Uintah Basin.
- *Peregrine Pipeline Company and Peregrine Field Services* – Expert services to analyze cost of service and market factors and recommend rate increases in accordance with the provisions of natural gas gathering contracts and compression and dehydration contracts. Prepare rate increase notifications and defend increases in accordance with Railroad Commission of Texas informal complaint procedures.
- *Ute Indian Tribe, Utah* – Consulting Expert regarding upstream and midstream royalty, working, and investment interests.
- *Texas Office of Public Utility Counsel* – Expert services and testimony related to the appeal of Austin Energy's rate increase by Homeowners United for Rate Fairness.
- *Moore and White, Individual Royalty Interest Holders* – Expert and forensic services regarding potential breach of continuous drilling clause.
- *Clayton Williams Energy Inc.* – Monthly and annual regulatory compliance filings. Assistance with regulatory accounting requirements.
- *Texas General Land Office* – Concurring partner on audit to assess the accuracy of remittances made by Reliant Energy to the State of Texas pursuant to Reliant's contractual obligation to provide electrical power service to Public Retail Customers participating in the State Power Program
- *Peregrine Pipeline Company* – Prepare monthly producer settlement statements and gas purchase invoices related to natural gas gathering services. Prepare annual regulatory compliance reports. Prepare and file tariffs with regulatory authorities.
- *Peregrine Pipeline Company and Peregrine Field Services* – Expert services regarding cost of service and market factors to recommend rate increases in accordance with the provisions of natural gas gathering contracts and compression and dehydration contracts
- *Texas Office of Public Utility Counsel* – Expert services related to the application of Southwestern Power Company to change rates and to reconcile fuel costs. PUC Docket No. 38147
- *Texas Office of Public Utility Counsel* – Expert services and testimony related to the application of CenterPoint Electric to change rates and to reconcile fuel costs. PUC Docket No. 38339.
- *Texas State Natural Gas*–Statement of Intent to Increase Rates in Eagle Pass, Texas
- *David H. Arrington Oil & Gas* – Expert and forensic services related to royalty owner claims
- *Texas Office of Public Utility Counsel* – Expert services and testimony related to the application of El Paso Electric Company to change rates, to reconcile fuel costs, to establish formula-based fuel factors, and to establish an energy efficiency cost recovery factor
- *CoServ Gas, Ltd.*–G.U.D. 9909 - Statement of Intent to increase rates in unincorporated areas within Collin, Denton and Kaufman counties
- *Peregrine Pipeline Company, L.P.* – Expert forensic services related to disputed producer settlement charges
- *Clayton Williams Energy Inc.* – Expert and forensic services regarding the Complaint of Clayton Williams Energy, Inc. against Energy Transfer Fuel, L.P.–G.U.D. 9820
- *CoServ Gas, Ltd.*–Statement of Intent to Change Rates in 27 cities in North Texas
- *StEnergy, LP*–G.U.D. 9799–Statement of Intent to Increase Rates–Fort Bend County
- *Texas State Natural Gas*–Statement of Intent to Increase Rates in Eagle Pass, Texas
- *CoServ Gas, Ltd.*–G.U.D. 9762–(and Consolidated Cases) Stmt. of Intent Filed by Atmos Energy Corp. to Increase Utility Rates in the Unincorporated Areas Served by Atmos Energy Corp., Mid-Tex Division and



Petition for de Novo Review of the Denial of the Stmt. of Intent Filed by Atmos in Various Municipalities—  
Expert services for intervener re. proposed change in rates

- *Closely held TX Corp with \$12 Mill. in Revenues* – Investigative services-partner dispute
- *Morgan & Luttrell, L.L.P.* –Sarah Horton and George Matassarini v. JPMorgan Chase Bank, N.A., Case No. A-03-CA-150-SS in the United States District Court for the Western District of TX.—Expert analytical and rebuttal services for defendant regarding alleged default, case settled
- *CoServ Gas, Ltd.* –G.U.D. 9670 - Petition for de Novo Review of the Reduction of the Gas Utility Rates of Atmos Energy Corp., Mid-Tex Division-Cities of Addison, Benbrook, Blue Ridge, et. al., and Statement of Intent Filed by Atmos Energy Corp., Mid-Tex Division to Change Rates in the Company's Statewide Gas Utility System – Expert rebuttal services
- *Texas Gas Service* –Statement of Intent to Increase Rates in its Rio Grande Valley Region – Expert services regarding cost of providing services
- *CoServ Gas, Ltd.* –Smt. of Intent to Increase Environs Rates
- *Black Warrior Transmission* –Development of transportation rate setting manual
- *Crosstex Energy Services, Ltd.* –Compliance reporting support for Commissions in the States of Texas, Louisiana, Mississippi and Alabama
- *Crosstex Energy Services, Ltd.* –\$311 rate filings before the Federal Energy Commission.
- *Crosstex Energy Services, Ltd.* –Development of processes to support regulatory requirements in connection with conversion to PeopleSoft Accounting Systems
- *CoServ Gas, Ltd.* –Functional implementation of Oracle Software.
- *Texas State Natural Gas* –Statement of Intent to Increase Rates in Eagle Pass, Texas
- *Texas State Natural Gas* –Gas distribution system acquisition due diligence review
- *SiEnergy, LP* - Statement of Intent to Increase Rates-Fort Bend County, Texas Service Area
- *VTEX Energy, Inc.* –Application to Consider Reduction in Financial Assurance Required Pursuant to Statewide Rule 78(G) for Various Leases in Kleberg County, Texas
- *Texas General Land Office* –Revenue remittance compliance agreed upon procedures audit of Reliant Energy contract regarding the Public Customer Power Program
- *Texas General Land Office* –TXU Rate Case G.U.D. 9500
- *CoServ Gas, Ltd.* –Statement of Intent to Change Rates in 25 cities in North Texas
- *Texas Gas Service* –Statement of Intent to Change Rates-South Jefferson County, Texas
- *Office of the Attorney General, Consumer Protection Division* - The State of Texas v. Hispanic Air Conditioning and Heating, Inc. No. 99-CI-14965 (57th Dist. Bexar) - Expert forensic consulting services on a litigation matter under investigation.
- *Missouri Gas Energy* –Case No. GR-2001-292 General rate increase
- *Missouri Gas Energy* –Business plan to implement workforce automation technology
- *PG Energy Case* –No. R-00005119 General rate increase
- *Southern Union Company* –City of Pharr v. SUC, 92nd Dist. Court-Hidalgo County, TX.
- *Missouri Gas Energy* –Case No. GO-99-258-Request for AAO re Y2K compliance expenses
- *Southern Union Gas* –Statement of Intent to Change Rates-El Paso and Andrews, TX
- *CoServ Gas, Ltd.* –Smt. of Intent to Establish Initial Rates in twelve Texas Cities
- *Southern Union Gas* –Appeal from the Action City of El Paso, Texas G.U.D. No. 8878
- *Southern Union Gas* –Statement of Intent to Change Rates in Devers and Nome, Texas
- *Southern Union Gas* –Statement of Intent to Increase Rates in the Environs-Cities of Devers and Nome and Unincorporated Areas of Hull and Raywood, Texas. G.U.D Nos. 8766-8769
- *Missouri Gas Energy* –Business plan to implement automated meter reading technology
- *Missouri Gas Energy* –Case No. GO-99-150 Request for AAO to accelerate the Service Line Replacement Program.
- *Missouri Gas Energy* –Case No. GR-98-140 General rate increase
- *Southern Union Company* –Internal franchise tax audit
- *Missouri Gas Energy* –Case No. GR-96-285 General rate increase. Development of Company-wide Corporate Allocation/Shared Services methodology and models for rate case support.
- *Southern Union Gas* –City of Edinburg v. the Rio Grande Valley, Valero, SUG, et. al., District Court of Hidalgo County, Texas. Cause No. C4558-95-A

PUBLIC UTILITY COMMISSION OF TEXAS  
 CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
 II-B SUMMARY OF RATE BASE  
 TEST YEAR ENDING 12/31/2009  
 DOCKET 38339  
 (THOUSANDS OF DOLLARS)

Line No.	Description	Reference Schedule	1 Test Year Total Electric	2 Company Adjustments	3 Company Total Request	4 TRAN	5 DIST	6 MET	7 TDCS	8 Total TX-Retail
1	Original Cost of Plant	II-B-1	6,631,307	83,714	6,715,021	1,813,998	4,489,104	365,642	46,278	6,715,021
2	General Plant	II-B-2	279,865	(7,928)	271,937	35,870	199,642	35,328	1,098	271,937
3	Communication Equipment	II-B-3	274,369	(30,797)	243,572	26,028	171,253	37,749	8,542	243,572
4	<b>Total Plant</b>		<b>7,185,541</b>	<b>44,989</b>	<b>7,230,530</b>	<b>1,875,895</b>	<b>4,859,998</b>	<b>438,719</b>	<b>55,918</b>	<b>7,230,530</b>
5										
6	Minus: Accumulated Depreciation	II-B-5	(3,043,527)	56,743	(2,986,784)	(630,290)	(2,067,180)	(249,466)	(39,848)	(2,986,784)
7										
8	<b>Net Plant In Service</b>		<b>4,142,014</b>	<b>101,732</b>	<b>4,243,746</b>	<b>1,245,606</b>	<b>2,792,818</b>	<b>189,252</b>	<b>16,069</b>	<b>4,243,746</b>
9										
10	<b>Other Rate Base Items:</b>									
11	CWIP	II-B-4	141,749	(141,749)	-	-	-	-	-	-
12	Cash Working Capital	II-B-9	74,330	(25,269)	49,061	7,316	29,834	7,610	4,301	49,061
13	Prepayments	II-B-10	10,521	(6,087)	4,434	1,301	2,918	198	17	4,434
14	Materials & Supplies	II-B-8	68,356	-	68,356	22,974	41,444	3,937	-	68,356
15	Plant Held for Future Use	II-B-6	14,214	(13,997)	217	31	186	-	-	217
16	Accumulated Provisions, ADIT, FAS 109 Accls.	II-B-7	(663,869)	(64,182)	(728,050)	(148,387)	(539,885)	(34,474)	(5,304)	(728,050)
17	Rate Base Other	II-B-11	-	-	-	-	-	-	-	-
18	Regulatory Assets	II-B-12	32,331	26,009	58,340	8,834	36,445	8,974	4,087	58,340
19	<b>Subtotal</b>		<b>(322,368)</b>	<b>(225,274)</b>	<b>(547,642)</b>	<b>(107,931)</b>	<b>(429,058)</b>	<b>(13,754)</b>	<b>3,101</b>	<b>(547,642)</b>
20										
21	<b>TOTAL RATE BASE</b>		<b>3,819,646</b>	<b>(123,542)</b>	<b>3,696,104</b>	<b>1,137,675</b>	<b>2,363,760</b>	<b>175,498</b>	<b>19,171</b>	<b>3,696,104</b>
22										
23	<b>Rate of Return</b>	II-C-1.1	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
24										
25	<b>RETURN ON RATE BASE</b>		<b>343,768</b>	<b>(11,119)</b>	<b>332,649</b>	<b>102,391</b>	<b>212,738</b>	<b>15,795</b>	<b>1,725</b>	<b>332,649</b>

PUBLIC UTILITY COMMISSION OF TEXAS  
 CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
 II-B-12 RATE BASE ACCOUNTS - REGULATORY ASSETS  
 TEST YEAR ENDING 12/31/2009  
 DOCKET 38339  
 (THOUSANDS OF DOLLARS)

Line No.	Account Number	Description	Reference Schedule	1 Total Company	2 Non-Regulated or Non-Electric	3 Known Change	4 Company Total Electric	5 FF #	6 Functionalization Factor Name	7 Allocation to Texas	8 TRAN	9 DIST	10 MET	11 TDCS	12 Total
1		Other Rate Base Items													
2		Regulatory Assets/(Liabilities) In Rate Base	II-B-12												
3															
4		Deferred Pension Costs PURA 36 085		31,878	-	28,009	57,887	*	PAYXAG	57,887	8,834	36,445	8,521	4,087	57,887
5		Expedited Switching		453	-	-	453	*	DIRECT	453			453		453
6															
7															
8															
9		TOTAL REGULATORY ASSETS	II-B-12	32,331	-					58,340	8,834	36,445	8,974	4,087	58,340
10															
11		TOTAL OTHER RATE BASE ITEMS	II-B-4 thru II-B-12	(484,117)	-	(81,825)	(547,842)			(547,842)	(107,931)	(429,058)	(13,754)	3,101	(547,842)
12															
13		TOTAL RATE BASE	II-B-1 thru II-B-12	3,819,646	-	(123,642)	3,696,104			3,696,104	1,137,676	2,363,760	175,498	19,171	3,696,104
14															
15		Rate of Return	II-C-1.1	8.00%	8.00%	9.00%	9.00%			9.00%	9.00%	8.00%	9.00%	9.00%	9.00%
16															
17		RETURN ON RATE BASE		343,768	-	(11,119)	332,649			332,649	102,391	212,738	15,796	1,729	332,649

PUBLIC UTILITY COMMISSION OF TEXAS  
 CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
 II-E-2 TAXES OTHER THAN FEDERAL INCOME TAXES  
 TEST YEAR ENDING 12/31/2009  
 DOCKET 38339  
 (THOUSANDS OF DOLLARS)

Line No	Account Number	Description	Reference Schedule	1 Total Company	2 Non-Regulated or Non-Electric	3 Known Change	4 Company Total Electric	5 FF #	6 Functionalization Factor Name	7 Allocation to Texas	8 TRAN	9 DIST	10 MET	11 TDCS	12 Total
1		<b>Taxes Other than Income Taxes</b>	II-E-2												
2															
3		<b>Payroll-Related</b>	II-E-2												
4		FICA		9,958	-	203	10,162	*	PAYXAG	10,162	1,551	6,398	1,498	717	10,162
5		Unemployment		171	-	107	278	*	PAYXAG	278	42	175	41	20	278
6															
7		<b>Total Payroll Related</b>		<b>10,130</b>	<b>-</b>	<b>310</b>	<b>10,440</b>			<b>10,440</b>	<b>1,593</b>	<b>6,573</b>	<b>1,537</b>	<b>737</b>	<b>10,440</b>
8															
9		<b>Property Related</b>	II-E-2												
10		Ad Valorem		68,740	-	(286)	68,454	*	DIRECT	68,454	19,099	45,000	4,222	133	68,454
11															
12		<b>Total Property Related</b>		<b>68,740</b>	<b>-</b>	<b>(286)</b>	<b>68,454</b>			<b>68,454</b>	<b>19,099</b>	<b>45,000</b>	<b>4,222</b>	<b>133</b>	<b>68,454</b>
13															
14		<b>Revenue Related</b>	II-E-2												
15															
16		City Franchise Fees		138,083	-	(480)	138,633	*	DIST	138,633	-	138,633	-	-	138,633
17		Texas Margin Tax		16,364	-	(26)	16,338	*	TOTREV	16,338	4,528	9,880	1,392	530	16,338
18															
19		<b>Total Revenue Related</b>		<b>154,457</b>	<b>-</b>	<b>(486)</b>	<b>154,971</b>			<b>154,971</b>	<b>4,528</b>	<b>148,522</b>	<b>1,392</b>	<b>530</b>	<b>154,971</b>
20															
21		<b>TOTAL TAXES OTHER THAN INCOME TAXES</b>	II-E-2	<b>234,327</b>	<b>-</b>	<b>(482)</b>	<b>233,845</b>			<b>233,845</b>	<b>28,220</b>	<b>200,094</b>	<b>7,110</b>	<b>1,400</b>	<b>233,845</b>

\* Please refer to Schedule II-F

PUBLIC UTILITY COMMISSION OF TEXAS  
 CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
 I-A-1 SUMMARY OF TEXAS RETAIL  
 TEST YEAR ENDING 12/31/2009  
 DOCKET 38339  
 (THOUSANDS OF DOLLARS)

Line No.	Description	Reference Schedule	1 Test Year Total Electric	2 Company Adjustments	3 Company Total Request	4 Transmission Function (TRAN)	5 Distribution Function (DIST)	6 Metering Function (MET)	7 T&D Customer Service (TDCS)	8 Total TX-Retail
1	Operating and Maintenance Expenses	II-D-2	766,263	(171,624)	594,639	215,980	270,618	69,028	39,013	594,639
2	Depreciation & Amortization Expenses	II-E-1	264,030	1,817	265,847	51,910	178,258	30,510	5,169	265,847
3	Taxes Other Than Federal Income Tax	II-E-2	234,327	(462)	233,865	25,220	200,094	7,150	1,400	233,865
4	Federal Income Tax	II-E-3	100,697	6,483	107,179	32,869	68,243	5,314	754	107,179
5										
6	Return on Rate Base	II-B	343,768	(11,119)	332,649	102,391	212,738	15,795	1,725	332,649
7										
8	<b>TOTAL COST OF SERVICE</b>		<b>1,709,085</b>	<b>(174,905)</b>	<b>1,534,179</b>	<b>428,369</b>	<b>929,952</b>	<b>127,797</b>	<b>48,061</b>	<b>1,534,180</b>
9										
10	Other Non-Bypassable Charges									-
11										
12	Minus: Other Revenues	II-E-5	69,569	(16,515)	53,054	17,918	33,495	1,641	-	53,054
13										
14										
15										
16	<b>TOTAL ADJUSTED REVENUE REQUIREMENT</b>		<b>1,639,515</b>	<b>(158,390)</b>	<b>1,481,125</b>	<b>410,452</b>	<b>896,457</b>	<b>126,156</b>	<b>48,061</b>	<b>1,481,125</b>

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

**Attachment JMD-4**

Page 1 of 3

**CITY OF HOUSTON  
REQUEST NO.: COH03-41**

**QUESTION:**

**Regulatory Assets and Liabilities:** For each regulatory asset and liability, provide an analysis of the item showing by month the related revenue or expense, increases and decreases to the account balance with basic descriptive information (i.e. "Storm Damage," Insurance Reimbursements," "Amortization"), and the account balances. This analysis should begin with the later of the origination of the item or the last jurisdictional filing which included the item, and the analysis should continue through latest available date. Please provide the response in Excel compatible format with fully functional formulas.

**ANSWER:**

**Non-Tax Related Regulatory Assets**

Regulatory Assets-Bad Debt: Please see COH03-41\_Non Tax.xlsx 'Bad Debt Asset' worksheet.  
Regulatory Assets-Hurricane Harvey: Please see COH03-41\_Non Tax.xlsx 'Harvey' worksheet for monthly storm damage deferral.  
Regulatory Assets-Expedited Switch: Please see WP II-B-12c Expedited Switch in the RFP for monthly Expedited Switches expense deferral.  
Regulatory Assets-SMT: Please see COH03-41\_Non Tax.xlsx 'SMT' worksheet for monthly SMT expense deferral.

**Tax Related Regulatory Assets**

Regulatory Assets- Margin Tax: The Texas Margins Tax (TMT) expense was included in Docket No. 38339. The Company has been deferring the current cost each year until it is recovered in rates the next year, creating a regulatory asset. Thus, there is a one-year lag between the taxable year and the payment year. However, adjustment is being made to current filing to change the request to discontinue booking a TMT tax regulatory asset. The Company is proposing to transition to include the accrual amounts in base rates. Please see COH03-41\_Tax.xlsx.  
Reg Asset-Postretirement (RDS): Please see COH03-41\_Tax.xlsx.  
Excess Accum. Deferred Taxes & Other (Current and Non-Current): EDIT resulting from tax rate changes prior to TCJA was included in Docket No. 38339. Please see COH03-41\_Tax.xlsx.

**Non-Tax Related Regulatory Liabilities**

Regulatory Liability-Pension: Please see COH03-41\_Non Tax.xlsx 'Pension PURA' worksheets.  
Regulatory Liability Pension BRP and Postretirement: Please see COH03-40.

**Tax Related Regulatory Liabilities**

Reg NC Liab EDIT – Plant: Please see COH03-41\_Tax.xlsx.  
Protected EDIT: Please see Pringle testimony beginning page 15 of 47.

**SPONSOR (PREPARER):**

Charles Pringle/Kristie Colvin (Charles Pringle/Kristie Colvin)

**RESPONSIVE DOCUMENTS:**

COH03-41\_Non Tax.xlsx  
COH03-41\_Tax.xlsx

CenterPoint Houston  
Regulatory Assets- Margin Tax  
Period 01/01/2010 - 03/31/2019

GL 179060

Fiscal Year	Posting Period	Accrual	Amortization	Total Activity	Cumulative Balance
<b>Beginning Balance</b>					<b>16,959,189</b>
2010	1	4,090,940	(4,090,940)	-	16,959,189
2010	3	3,962,151	(4,239,798)	(277,647)	16,681,542
2010	6	8,013,761	(8,200,468)	(186,707)	16,494,835
2010	9	5,391,979	(4,239,798)	1,152,181	17,647,016
2010	12	4,740,843	(4,239,798)	501,045	18,148,061
2011	3	4,058,702	(4,537,015)	(478,313)	17,669,748
2011	6	4,769,915	(4,537,015)	232,900	17,902,648
2011	9	6,409,849	(4,537,015)	1,872,834	19,775,482
2011	12	7,551,097	(4,661,751)	2,889,346	22,664,828
2012	3	5,950,106	(5,666,207)	283,899	22,948,727
2012	6	6,400,394	(5,666,207)	734,187	23,682,914
2012	9	6,725,081	(5,666,207)	1,058,874	24,741,788
2012	12	108,926	(5,666,207)	(5,557,281)	19,184,507
2013	3	4,260,922	(4,796,127)	(535,205)	18,649,302
2013	6	5,620,285	(4,796,127)	824,158	19,473,460
2013	9	4,919,099	(4,796,127)	122,972	19,596,432
2013	12	5,258,252	(4,796,127)	462,125	20,058,557
2014	3	4,819,181	(4,796,127)	23,054	20,081,611
2014	6	5,504,282	(5,087,477)	416,805	20,498,416
2014	9	6,631,527	(5,087,477)	1,544,050	22,042,466
2014	12	4,605,949	(5,090,227)	(484,278)	21,558,188
2015	3	5,057,296	(5,389,547)	(332,251)	21,225,937
2015	6	3,425,259	(5,389,547)	(1,964,288)	19,261,649
2015	9	5,375,698	(5,389,547)	(13,849)	19,247,800
2015	12	4,333,099	(5,389,547)	(1,056,448)	18,191,352
2016	3	4,792,398	(4,547,838)	244,560	18,435,912
2016	6	3,816,318	(4,547,838)	(731,521)	17,704,391
2016	9	5,675,531	(4,547,838)	1,127,693	18,832,084
2016	12	4,587,358	(4,547,838)	39,520	18,871,604
2017	3	4,837,153	(4,717,901)	119,252	18,990,856
2017	6	4,818,242	(4,717,901)	100,341	19,091,197
2017	9	4,860,895	(4,717,901)	142,994	19,234,192
2017	12	5,111,287	(4,717,901)	393,386	19,627,578
2018	3	4,947,909	(4,906,895)	41,015	19,668,593
2018	6	4,961,740	(4,906,895)	54,845	19,723,438
2018	9	5,025,959	(4,906,895)	119,064	19,842,502
2018	12	5,091,641	(4,906,895)	184,746	20,027,248
WP II-B-12 Adj 10				(399,670)	19,627,578
2019	3	5,128,367	(5,006,812)	121,555	19,749,133
<b>Grand Total</b>		<b>191,639,390</b>	<b>(188,449,776)</b>	<b>2,789,944</b>	

Schedule II-B-12

CenterPoint Houston  
Bad Debt Regulatory Asset G/L 179023  
June 2011 through March 2019

General Ledger Posting Month-Year	Description	Abacus Resources Energy, LLC	TexRep1, LLC	TruSmart Energy, LLC	Competitive Retailer Bad Debt in Rates (1)	TOTAL	Cumulative Balance
June-11	Competitive Retailer Bad Debt Deferral	21,341.52				21,341.52	21,341.52
March-13	Competitive Retailer Bad Debt Deferral		206,953.76			206,953.76	228,295.28
April-17	Competitive Retailer Bad Debt Deferral			288,678.45		288,678.45	516,973.73
July-17	Competitive Retailer Bad Debt Deferral			(5,683.78)		(5,683.78)	511,289.95
October-18	Cost of Service Amount Docket 38339 10/2011-10/2018				1,022,178.19	1,022,178.19	1,533,468.14
November-18	Cost of Service Amount Docket 38339 11/2018				12,025.63	12,025.63	1,545,493.77
December-18	Cost of Service Amount Docket 38339 10/2011-10/2018*				(1,022,178.19)	(1,022,178.19)	
December-18	Cost of Service Amount Docket 38339 09/2011-10/2018*				1,034,203.82	1,034,203.82	
December-18	Cost of Service Amount Docket 38339 12/2018				12,025.63	12,025.63	1,569,545.03
January-19	Cost of Service Amount Docket 38339 01/2019				12,025.63	12,025.63	1,581,570.66
March-19	Cost of Service Amount Docket 38339 02/2019				12,025.63	12,025.63	
March-19	Cost of Service Amount Docket 38339 03/2019				12,025.63	12,025.63	1,605,621.92

\*Correction entry since new rates began September 2011

(1) A credit of \$144,307.51 was included in Final Order Cost of Service Docket No. 38339 WP II-D-2.2a.8. Substantive Rule 25.107 (3)(B) states to include the bad debt already included in its rates in the regulatory asset.  $\$144,307.51 \div 12 = \$12,025.63$  per month.



## Attachment JMD-5

CenterPoint Energy Houston Electric  
 Bad Debt Expense Account 562040  
 Company 0003  
 Year to Date December, 2009

	January	February	March	April	May	June	July	August	September	October	November	December	Totals
DA ARO Write Offs													
DA ARO Write Offs			(100)	-	-	-	0	-	(439)	-	-	-	(539)
ARO accrual						107,546		94,173		49,915	362,868	73,400	687,902
	-	-	(100)	-	-	107,546	0	94,173	(439)	49,915	362,868	73,400	687,363 ✓ <sub>1</sub>
REP													
REP Accrual	1,637,269												1,637,269
REP Write off	(1,637,269)		(142,156)						0	(2,152)			(1,781,577)
	-	-	(142,156)	-	-	-	-	-	0	(2,152)	-	-	(144,308) ✓ <sub>2</sub>
Other													
Move to 123010													-
Interest Pd to TDSP													-
Non Revenue CMR		(1,311)	258										(50)
Bad Debt CIS				(197)	(22)	(30)					(56)	1,059	(340)
Bad Debt BES	356										(91)		356
Bad Debt CRR	(412)	(74)	(10)					(114)	1,619				1,009
	(57)	(1,385)	248	(197)	(22)	(30)	-	(114)	1,619	-	(147)	1,059	975 ✓ <sub>3</sub>
Total	(57)	(1,385)	(142,008)	(197)	(22)	107,516	0	94,058	1,180	47,763	362,721	74,459	544,030 ✓ <sub>TB</sub>
Cumulative Total		(1,442)	(143,450)	(143,646)	(143,668)	(36,152)	(36,152)	57,907	59,087	106,850	469,570	544,030	

FERC Trial Balance (ZF16) Report Name: FERC-016  
 Company: 0003 CNP Houston Electric, LLC  
 Profit Center Group: \*  
 Cost Center: \*  
 Rolling Period 1, 2009 to 12, 2009

Lead column	12 2009	Total
297999 Retained Earnings	0.00	0.00
562040 Cust&Mktg Exp-Total Bad Debts	74,459.35	544,028.96
562070 Cust&Mktg Exp-Bad Debts-Uncollect	6,716.32	6,716.32
* 9040 Uncollectible Accts	81,175.67	550,745.28
** Natural Account Sorted by FERC Account	81,175.67	550,745.28

✓<sub>1</sub> To: WP II-D-2.2  
 ✓<sub>2</sub> To: WP II-D-2.2  
 ✓<sub>3</sub> To: WP II-D-2.2

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

**PUBLIC UTILITY COMMISSION OF TEXAS  
REQUEST NO.: PUC02-37**

**QUESTION:****Affiliates — Shared Assets**

Has the Company included any amounts for carrying costs associated with shared assets that have been charged by an affiliate in its revenue requirement? If so, please provide, by FERC account, the amount in total, the amount that is debt based, and the amount considered equity return.

**ANSWER:**

Consistent with the 'Compensation For Use of Capital' as filed in the FERC Form 60, the amount of return billed to CenterPoint Energy Houston Electric for shared assets held at the Service Company are listed below:

<b>FERC*</b>	<b>Total</b>	<b>Debt</b>	<b>Equity</b>
5600	899,432	328,534	570,899
5620	105	38	67
5630	105	38	67
5640	105	38	67
5700	105	38	67
5710	210	77	133
5720	105	38	67
5800	3,336,154	1,218,589	2,117,565
5820	105	38	67
5830	210	77	133
5840	210	77	133
5850	210	77	133
5860	105	38	67
5870	105	38	67
5930	105	38	67
5970	105	38	67
9020	47,121	17,212	29,909
9030	81,269	29,685	51,584
9030	504,708	184,354	320,354
9302	2,915,124	1,064,800	1,850,323
9350	765	279	485
<b>Total</b>	<b>7,786,463</b>	<b>2,844,143</b>	<b>4,942,320</b>
*FERC assignment is estimated based on total 2018 Service Company billings			

**SPONSOR (PREPARER):**

Michelle Townsend (Michelle Townsend)

**RESPONSIVE DOCUMENTS:**

None

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

**GULF COAST COALITION OF CITIES  
REQUEST NO.: GCCC01-09**

**QUESTION:**

Please refer to the CenterPoint Energy Service Company, LLC Form 60 filed for 2017 at page 307 line 1, which indicates \$7,780,732 charged to CEHE for "Compensation For Use of Capital."

- a. Please describe how this amount was computed for 2017.
- b. Please provide copies of the sources of such capital amounts used in the calculation during 2017.
- c. Please indicate how this amount was recorded on the books of CEHE during 2017 and how they were reflected in CEHE's rate case filing.
- d. Please indicate whether any changes have been made to the calculation or recording of such charges since the end of 2017. If so, please describe any changes.

**ANSWER:**

Note: After clarification from GCCC, the Company is providing information from the recently filed 2018 CenterPoint Energy Service Company, LLC's Form 60. The methodology used to calculate the amount charged to CenterPoint Houston Electric in 2017 was the same used to calculate the 2018 amounts included in GCCC01-09 Attachment 1.xlsx.

- a. Please see GCCC01-09 Attachment 1.xlsx for the 2018 calculation.
- b. Please see GCCC01-09 Attachment 1.xlsx for the 2018 capital.
- c. The amount is recorded in various Service Company functions based on ownership of the assets and becomes a portion of the total bundled service. The functions allocate to CenterPoint Houston Electric and are assigned a FERC depending on the service provided.
- d. The process to calculate and record the 'Compensation For Use of Capital' has not changed since 2017.

**SPONSOR (PREPARER):**

Michelle Townsend (Michelle Townsend)

**RESPONSIVE DOCUMENTS:**

GCCC01-09 Attachment 1.xlsx

**CenterPoint Energy Service Company, LLC  
Compensation for Use of Capital Calculation**

**Total Service Company:**

Net Book Value Assets 12/31/2017*	115,021,629
Rate of Return	11.37%
Total Return	13,077,968

**CenterPoint Houston Portion:**

Allocation % to Houston Electric	59.54%
Total Return Allocated to Houston Electric 2018	7,786,463

\*Net Book Value Estimate is calculated during the planning process using June 30, 2017 Net Book Value and adjusted for remaining 2017 depreciation and adjustments

SOAH DOCKET NO. 473-19-3864

PUC Docket No. 49421

GCCC 1-9 Attachment 1

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**CenterPoint Energy Service Company, LLC**  
**Assets Used in Calculation**

<b>Asset Description</b>	<b>Estimated* Net Book Value as of 12/31/2017</b>
GRP 773 Computer Equipment	5,000
GRP 773 Computer Equipment	2,535
GRP 762 COMPUTER EQUIPMENT	10,033
GRP 773 Mailing Equipment	5,903
IO 13061499 OSS - Bar Coding Software	5,686
GRP 773 STORES EQUIPMENT	530
GRP 773 COPY CENTER EQUIPMENT	68,956
Audio/Visual Equipment	9,514
GRP 773 COPY CENTER EQUIPMENT	15,580
Incident and Case Mgmt Software	35,378
GRP 773 COPY CENTER EQUIPMENT	7,485
Audio/Visual Equipment	4,693
Adobe Acrobat- Finance	96,241
2012 Check Print - Hardware/Sof	11,156
Electronic Security System	(75)
Folder, inserter	8,246
Windows 2008 Std Ed.	961
WAUSAU Server and Software Upgrade	33,785
WAUSAU Software Upgrade	49,650
Upgrade Bulk Import (Das/Remit)	101
Remittance Opex Model 72	16,427
Remittance Opex Upgrade	1,249
2017 Remit Processing Multi-function	5,075
2008 Educ/Training Prod Pak	922
Cap Replace Vinnet 2009	27,092
Printer, Color laser	30,764
Projector	248
Screen, Projector	(24)
2011 Financial Systems - Projector	255
2017 Fin Systm 125070-HP Laserjet Print	961
GRC - RM Software	(12,363)
2012 Financial Services - Copier	1,995
Printer, Laser Quality	457
2017 Financial Services - Copier	5,453
Financial Accounting Copier	1,164
2017 Financial Acctg -Surface Pro	1,916
2017 Assistant Controller - Office Equip	2,373
Income Tax Accrual System	324,052
2011 - Tax Provision Software	39,516
2009 Sales Tax Matrix	1,790,052
2012 Corporate Tax Scanner	(19)

SOAH DOCKET NO. 473-19-3864

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GCCC 1-9 Attachment 1

Page 3 of 8

<b>Asset Description</b>	<b>Estimated* Net Book Value as of 12/31/2017</b>
HP LASERJET ENT 600 M602X	845
2017 Property Accounting - ZBook	2,519
2017 Gas Cost Acctg-Varidesks	1,608
2017 Regulatory Reporting - HP Printer	1,951
2017 Regulatory Reporting - ZBook	4,992
2017 Electric Billing - Varidesk	536
2009 IT Replace Vinnett	104,008
Computer Hardware	3,779
Copier MP8001	1,951
Copier	48
Scanner; Fujitsu Fi-6670	1,175
Office Furniture	2,053
multifunction copier	1,410
IT Identity Management	722,250
IT SailPoint IIQ - Phase 3	556,272
AntiVirus/SCCM	304,713
EAI Technology Change	188,364
SCCM Phase 2	404,024
IT Systems Management	162,664
IT EAI Technology Change	368,056
IT Capital Projects Internal	184,969
Enterprise PM Initiative	250,674
IT Sensitive Data Management	232,829
IT Systems Management	269,171
SAP Archiving Solution	802,320
SAP ERP Upgrade	205,769
Internal Controls	413,628
IT Internal Controls	778,181
IronPort Refresh	246,670
Windows Server Refresh	438,972
SAP Modernization	2,777,962
IT BSS Purchasing & Logis	749,444
ISAS Upgrade	434,885
Codebase Modernization	90,253
Business Innovation Analytics	353,647
Data Replication Automation	555,445
Records Management	3,633,910
Corporate IT Backup Data	2,154,862
IT Systems & Utilities	113,613
IT Project Portfolio	599,032
IT Internal Controls	337,831
LAN Infrastructure	169,926
FileNet Upgrade to P8	1,601,571

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<b>Asset Description</b>	<b>Estimated* Net Book Value as of 12/31/2017</b>
Contract Mgmt & Sourcing	2,067,842
VOIP Refresh	55,818
IT Systems Management	2,578,821
Filenet Monitoring System	266,373
Quest Migration	442,792
IBM ELA Software	65,652
SAP ERP Upgrade	86,098
Contract Management & Sourcing Soft.	1,605
Duet Licensing (SAP)	38,739
SAP Software	25,695
SAP ERP Software	2,855,719
Enterprise Web Content Mgmt Software	997
Tivoli Software	83,825
Disaster Recovery - Remitt Processing	580
Rumba Software	41,278
Microsoft Initiative software	287,217
Genesys upgrade	11,144
Report Distribution Software	109,515
Microsoft Initiative software	146,085
Microsoft Initiative software	32,522
UB2-UDB Tools Software	4,277
IBM ELA Software	188,423
IBM Enhancement Software	54,110
SAP Contract Management	2,192,290
SAP ERP Upgrade	181,864
Sailpoint Software	200,402
2009 DB2 z/OS Replatform	997
2009 CNP.COM Failover Site	19,900
Bus Mandatory Teamconnect Wndws Auth	9,125
Riskmaster X Server Upgrade	960
SAP Production Support	194
SAP SQL Landscape	3,929
2009 Teamconnect Integ. w/ Filenet	15,824
2010 Team Connect Data Whouse Imp-Lega	8,477
2008 SAP Archiving Solution	10,636
2008 Energy Audit and Bill Analysis	27,158
IT Client Sppt Ctr Refurb	9,897
2010 - Data Modeling Services	847,352
2010 IT Microsoft Software	55,341
Records Management System - Cap	1,483,244
2009 Filenet Upgrade to P8	473,595
2009 Sailpoint IIQ - Phase 1	520,878
BI/BW Upgrade	1,018,070

SOAH DOCKET NO. 473-19-3864

PUC Docket No. 49421

GCCC 1-9 Attachment 1

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<b>Asset Description</b>	<b>Estimated* Net Book Value as of 12/31/2017</b>
SAP BO Foundation	232,202
Unicode Upgrade Project (BI)	127,903
2011 SAP Testing Strategy	115,871
2010 Internal Controls Compliance	70,036
2010 IBM ELA	657,135
2010 System Management	563,297
2010 Microsoft Initiative	462,761
2010 RPM - Resource/Portfolio Manageme	405,078
2010 Contract Management & Sourcing Sf	293,645
TEO Implementation	109,807
Project Portfolio Mgmnt Enhancements	120,519
2011 IT Microsoft Software	84,808
IT Technology Transformation Project	764,691
2011- Enterprise Enabler Virtuoso	279,779
SAP Mobile Platform	711,812
SAS Software	299,620
2008 Buy Right-Pay Right	503,044
BI Proof Concept Re-platform DB2 - SQL	58,689
2010 Telephone Infrastructure Software	6,131
2010 Systems & Utilities Support Softw	18,304
2010 Sensitive Data Management Softw	225,992
2010 Database Environment Software	6,824
2011 Sailpoint IIQ - Phase 2 Software	513,844
2012 IT Microsoft Software	489,753
2012 IT - IBM ELA	274,277
Job Scheduler	11,273
IBM ELA	215,735
Automated Provision of DB Accts	388,658
Database Environment	1,381,684
Storage Capacity	295,577
Network Infrastructure Support	4,173
VOIP Refresh	38,613
IT Internet ReDesign v2.0	1,037,784
Unix Infrastructure	32,240
IT Systems & Utilities Support	93,553
IT Sensitive Data Management	203,781
IT Project Portfolio Management	411,105
Microsoft Software	693,369
SAP Testing Strategy	575,271
Legal Capital Pro	101,300
Human Resource Cap	446,281
SAP EhP6 Upgrade	578,983
Enterprise Outage Management	274,731



<b>Asset Description</b>	<b>Estimated* Net Book Value as of 12/31/2017</b>
Common Authentication	3,523,416
Premise Equipment Barcoding	179,561
Mainframe Legacy Consolidation	559,777
Release Management	401,945
SAP HANA Strategy	5,703,026
Internet Redesign	2,806,188
BW Content Conversion to HANA	184,616
IT Sensitive Data Mgmt	390,492
Technology Rationalization	719,583
Mailstream Plus/Finalist Conversion	767,207
ITSM Program	1,034,001
Innovate Data	8,188,121
Employee Recognition	470,259
2016 New Software assets not yet unitized - est	29,769,293
Group Asset: Transportation Equipment-System Wide	1,239
Group Asset: Transportation Equip - System Wide	9,946
Group Asset: Transportation Equipment-System Wide	33,836
Telephone infrastructure equipment	603,141
SEC - Galaxy Card Access Austin 2011	1,221
Telephone System - VOIP	2,558,166
2012 IT - PBX Unified Communications U	119,163
Telephone Infrastructure Equipment	36,006
2014 Storage Capacity	295,407
2014 Telephone Infrastructure Equipment	37,231
2014 Infrastructure Test Lab	15,808
2014 Network Refresh Project	789,400
Ian hardware	41,370
STORAGE	27,394
SERVERS	419,013
storage	3,091
computer hardware - system	1,540,735
servers	1,035
computer hardware - system	22,943
SERVERS	470,606
SERVERS	39,430
Storage	9,628
Servers	14,510
Servers	13,774
Servers	11,399
2014 PC Replacement	410,763
computer hardware - system	101,219
2015 PC Replacement	229,020
computer hardware - system	29,690

SOAH DOCKET NO. 473-19-3864

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GCCC 1-9 Attachment 1

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<b>Asset Description</b>	<b>Estimated* Net Book Value as of 12/31/2017</b>
LAPTOP PC	9,439
MC-PRINTER, LASER QUALITY	953
LASER PRINTER, COLOR	62
IO 13072924 Operations Analytic	392
PC, Tablet	3,258
Server	457
Automated Mapping System	162,944
Repository Storage System	629,433
Network Refresh - Hardware	98,857
LOCAL AREA NETWORK (LAN)	94,760
Local Area/Wide Area Netw	95,692
computer hardware	24,349
computer hardware	30,881
computer hardware	11,815
computer hardware	17,316
computer hardware	5,976
STORAGE	397,403
2010 Wireless Network Solutions	6,521
2010 Database Environment	17,188
LAN HARDWARE	85,766
Cust Svc - Business Continuity Process	23,927
2010 SAP ERP Unicode Conversion - Cap	21,021
2011 Sailpoint IIQ - Phase 2	16,631
STORAGE	181,643
Hardware	5,839
Hardware	37,564
SERVERS	198,603
STORAGE	43,519
STORAGE	289,553
Network Communication System	18,188
NETWORK HARDWARE	173,091
NETWORK HARDWARE	58,924
NETWORK HARDWARE	186,652
Refresh Transmission	56,979
2010 Lab Virtualization	4,604
e-Recruitment Functional Upgrade	3,058
0435 Computer Equipment	10,926
Computer Equipment	77,476
Computer hardware	21,543
COMP HW	8,613
Computer, Laptop	1,154
Hardware	95,545
2016 CWIP HARDWARE NOT YET UNITIZED	28,433,840

<b>Asset Description</b>	<b>Estimated* Net Book Value as of 12/31/2017</b>
VIDEO EQUIPMENT	24,002
ADIT Estimate for Total Technology Assets	(32,791,288)

\*Net Book Value Estimate is calculated during the planning process using June 30, 2017 Net Book Value and adjusted for remaining 2017 depreciation and adjustments

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

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**REQUEST NO.: PUC02-38**

**QUESTION:**

**Affiliates — Shared Assets**

Please provide the rate of return, cost of equity, and cost of debt utilized in determining the carrying costs associated with shared assets that have been charged to the Company by an affiliate.

**ANSWER:**

	Cost	Ratio	Weighted	Tax Gross Up	Return to Houston Electric
Debt	6.92%	60%	4.15%	4.15%	2,844,143
Equity	11.25%	40%	4.50%	7.22%	4,942,320
			Total	11.37%	7,786,463

**SPONSOR (PREPARER):**

Michelle Townsend (Michelle Townsend)

**RESPONSIVE DOCUMENTS:**

None

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

**OFFICE OF PUBLIC UTILITY COUNSEL  
REQUEST NO.: OPC01-12**

**QUESTION:**

Please refer to Schedule "V-K-9.1 Corporate Services SK.Fs\_CONFIDENTIAL" and the direct testimony of Michelle M. Townsend, Pages 36 and 37 of 50.

- a. If 2019Q1 data is available, please provide the data shown in the 2018Q4 tabs for 2019Q1, both including and excluding Vectren. Please provide support for all assumptions regarding the numbers used for Vectren.
- b. If 2019Q1 data is not available, please provide the data shown in the 2018Q4 tabs including Vectren. Please provide support for all assumptions regarding the numbers used for Vectren.
- c. Please list and update any other allocators used to determine the amount of costs distributed among entities to include the impact of Vectren and provide the calculations and support for all assumptions.
- d. By affiliate, please categorize the total amount of charges to each affiliated entity during the test year as direct-billed (\$115.2 million for CenterPoint Houston, according to Ms. Townsend) and by individual allocator (totaling \$178.2 million for CenterPoint Houston, according to Ms. Townsend) and using the allocators adjusted to include the impact of Vectren, please provide an adjusted affiliate charge distribution of the allocated costs for each affiliate charging CenterPoint Houston.
- e. Please provide the total affiliate charges to CenterPoint Houston by FERC account as adjusted to include the impact of Vectren and provide the total adjustment to test year expense.

**ANSWER:**

- a. Please see GCCC 1-12 for updated 2019 allocation factors.
- b. Please see part a
- c. In addition to the allocation factors referenced in part a, the CERC customer count allocation factor has also been updated to include Vectren customers. This allocation factor does not impact how CERC allocates costs to Houston Electric. Please see OPUC01-12 Attachment 1 (Confidential).xlsx for the CERC customer count allocation factors.
- d. If viewed in isolation without regard to other changes in the Company's cost of service, the addition of Vectren companies to the allocation schedule caused, where applicable, an increase to the Vectren companies and a decrease to other business units, including CenterPoint Houston. An analysis to identify the Service Company functions and departments that support Vectren business units is ongoing, and only those functions and departments identified as supporting Vectren business units allocate costs to Vectren. As this analysis is ongoing, the full amount allocating to Vectren is not known at this time. Of the services allocated to CenterPoint Houston in the test year totaling \$178.2 million, only a subset of those services will allocate to Vectren business units until the integration is complete.
- e. Please see part d

**The attachment OPUC01-12 Attachment 1 (Confidential).xlsx is confidential and is being provided pursuant to the Protective Order issued in Docket No. 49421.**

**SPONSOR (PREPARER):**

Michelle Townsend (Michelle Townsend)

**RESPONSIVE DOCUMENTS:**

OPUC01-12 Attachment 1 (Confidential).xlsx

**This page contains  
Confidential Material**

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

**GULF COAST COALITION OF CITIES  
REQUEST NO.: GCCC01-12**

**QUESTION:**

Refer to the Direct Testimony of Michelle Townsend at page 42, lines 14-16 discussing the quarterly calculations of the various allocation ratios for each quarter of 2018.

- a. Please provide the quarterly calculations of the allocation ratios for the last quarter of 2018 and for each applicable quarter thus far in 2019.
- b. Please describe how the 2019 and going forward allocation ratios have been or will be affected by the February 1, 2019 merger with the Vectren Corporation.

**ANSWER:**

- a. For the last quarter of 2018 allocation ratios please see Schedules V-K-09 and V-K-11. For 2019 allocation ratios please see GCCC01-12 Attachment 1.xlsx.
- b. Please see GCCC01-12 Attachment 1.xlsx for the 2019 first quarter allocation ratio files. Vectren companies were incorporated into the allocation ratios beginning February 2019. Adding the Vectren companies did not impact the legacy CenterPoint companies' inputs into these factors.

Please note, if viewed in isolation without regard to other changes in the Company's cost of service, the addition of Vectren companies to the allocation schedule caused, where applicable, an increase to the Vectren companies and a decrease to other business units, including CenterPoint Houston. An analysis to identify the Service Company functions and departments that support Vectren business units is ongoing, and only those functions and departments identified as supporting Vectren business units allocate costs to Vectren.

**The attachment is confidential and is being provided pursuant to the Protective Order issued in Docket No. 49421.**

**SPONSOR (PREPARER):**

Michelle Townsend (Michelle Townsend)

**RESPONSIVE DOCUMENTS:**

GGCC01-12 Attachment 1.xlsx



**This page contains  
Confidential Material**

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

**Attachment JMD-10**

**Page 1 of 4**

**GULF COAST COALITION OF CITIES  
REQUEST NO.: GCCC01-13**

**QUESTION:**

Refer to the Direct Testimony of Michelle Townsend at page 46 discussing the \$1.6 million adjustment for CenterPoint Energy Service Company, LLC's employee labor that would have been billed to CEHE during the time of integration planning in 2018 for the Vectren merger.

- a. Please provide all workpapers utilized to compute the referenced calculations in electronic format with all formulas intact.
- b. Please explain why there is no assumption that the integration planning and implementation for the Vectren merger will continue into 2019 and going forward that will continue to decrease the employee labor billings to CEHE.

**ANSWER:**

- a. Please see GCCC01-13 Attachment 1.xlsx.
- b. The integration planning process ended on the day the merger occurred, February 1st. At that point we entered the integration implementation phase which is a business activity to implement the initiatives designed by the integration teams. Therefore the resources working on implementation remain within their business areas and only their incremental costs for travel to participate in integration meetings are charged to the Integration Management Office.

**SPONSOR (PREPARER):**

Michelle Townsend (Michelle Townsend)

**RESPONSIVE DOCUMENTS:**

GCCC01-13 Attachment 1.xlsx

Estimated Service Company Integration Billings  
Allocated to CenterPoint Energy Houston Electric, LLC

Cost Center	Description	Service Co Billed to Integration Planning	2018 Cost Center Allocation			CEHE Portion Integration Billing
			Total Billed	CEHE Portion	% to CEHE	
125007	Corp Fin Plng & Perf	36,650.88	909,840.75	493,220.25	54.2%	19,868
125019	Corp Communications	173,003.57	864,463.10	315,335.68	36.5%	63,106
125020	Corp Legal	304,118.46	1,269,646.48	518,493.55	40.8%	124,195
125021	Central Legal	11,220.00	1,863,131.50	1,009,701.54	54.2%	6,081
125036	ENVIRONMENTAL SRVS	103,333	405,968	270,135	66.5%	68,758
125050	Local Relations	49,216	225,036	159,517	70.9%	34,887
125055	Compliance/Records	21,217	2,725,125	1,177,476	43.2%	9,167
125056	Community Relations	55,692	2,938,100	1,752,065	59.7%	33,233
125100	Chief Acctg Officer	42,292	784,508	425,487	54.2%	22,938
125101	Fin Rep/Corp Acctg	23,630	3,116,149	1,683,173	54.0%	12,764
125104	Property Accounting	16,955	1,281,641	524,935	41.0%	6,944
125109	Trans & Ad Val Tax	17,827	1,818,376	1,077,980	59.3%	10,568
125123	BUS & OPS SUPPORT VP	99,178	513,606	306,177	59.6%	59,123
125127	Lg Comm& Indus Bill	11,007	613,379	613,379	100.0%	11,007
125132	Regulatory Rptg Gas	15,965	876,775	296,576	33.8%	5,400
125171	HR - Recruitment Str	29,189	657,214	347,147	40.5%	11,821
125176	Talent Acquisition S	33,003	547,812	221,386	40.4%	13,335
125181	HR-Learning & Organi	71,868	3,251,281	1,125,301	34.6%	24,874
125210	Long Term Financing	97,200	1,099,053	595,774	54.2%	52,690
125307	SVP & Chief HR Offcr	129,292	2,546,483	1,380,498	54.2%	70,092
125402	Chief Risk Officer	97,824	1,703,254	921,426	54.1%	52,921
125405	Audit - B	15,776	792,153	429,609	54.2%	8,556
125420	Legal Regulatory	214,723	(958,369)	(390,179)	40.7%	87,420
125421	Legal Litigation	307,619	(487,751)	(198,361)	40.7%	125,104
156145	P&L PURCH & MM DIR	99,194	1,192,498	509,289	42.7%	42,362
156148	P&L PROCUR & SOURCE	31,755	928,510		0.0%	-
156150	P&L GAS PURCH MGR	6,675	273,770		0.0%	-
156155	P&L CONTRACT ADMIN.	56,994	712,425	232,237	32.6%	18,579
156160	SEC SECURITY DIR	1,742	1,863,269	1,260,937	67.7%	1,179
156201	Technology System Co	44,215	847,059		0.0%	-
156207	Technology Security	24,565	7,259,334	3,895,088	53.7%	13,181
156211	Technology Sys Infra	31,068	820,649		0.0%	-
156219	Tech Consulting Svc	163,221	834,522		0.0%	-
156223	Bus User Supp/Svc Desk	26,773	1,319,729	727,591	55.1%	14,760
156225	Archit/Tech Risk	162,499	2,294,341	1,234,500	53.8%	87,435
156228	Customer Solutions	298,980	1,579,196	729,589	46.2%	138,129
156231	TO Advance Finance	58,344	1,517,790		0.0%	-
156239	Mkt/Field/Logistics	12,799	58,120	28,287	48.7%	6,229
156250	Contact Center Tech	471	4,153,291		0.0%	-
156265	Technical Operations	35,035	559,488	300,355	53.8%	18,842
156267	Portfolio & Integrat	3,597	1,297,615	697,341	53.7%	1,933
156269	Org. Read/Risk Mgmt	112,476	1,075,314	578,243	53.8%	60,483
158801	HR - Electric Ops	48,842	1,261,702	1,261,702	100.0%	48,842
158802	HR - Compensation	37,256	1,342,554	509,446	37.9%	14,137
158803	HR - Benefits	57,928	1,216,603	461,313	37.9%	21,965
158805	HR - Gas Ops	47,851	1,946,202		0.0%	-
159022	Regulatory	162,970	595,362	232,722	39.1%	71,521
159032	Houston Call Center	40,071	3,696,807	478,673	12.9%	5,189
159044	Claims	43,305	1,686,532	993,019	58.9%	25,498
159051	Fleet & Shop Srv Adm	45,321	737,487	518,453	70.3%	31,861
159081	Marketing Communicat	5,154	2,665,648	1,001,363	37.6%	1,936
159082	Bill Print/Insert Ops	42,972	2,087,897		0.0%	-
159090	Gas Sales and CIP Im	52,353	297,184		0.0%	-
159093	Strategic Marketing	35,627	1,102,817	444,959	40.3%	14,374
		<u>3,787,852</u>	<u>76,777,692</u>	<u>31,151,342</u>		<u>1,573,288</u>

Estimated Service Company  
Allocated to CenterPoint Ene

2018 Cost Center FERC Allocation													
Description	Cost Center	4261	4264	4265	5600	5800	9020	9030	9090	9210	9250	9302	1070 Total
Corp Fin Png & Perf	125007			3,055								490,165	493,220
Corp Communications	125019			6								315,329	315,336
Corp Legal	125020		30,477	1,710								486,306	518,494
Central Legal	125021											1,009,702	1,009,702
ENVIRONMENTAL SRVS	125036											270,135	270,135
Local Relations	125050		142,298									17,220	159,517
Compliance/Records	125055											1,177,478	1,177,478
Community Relations	125056	77,416										1,674,849	1,752,065
Chief Acctg Officer	125100			643								424,844	425,487
Fin Rep/Corp Acctg	125101											1,683,173	1,683,173
Property Accounting	125104											524,935	524,935
Trans & Ad Val Tax	125109											1,077,980	1,077,980
BUS & OPS SUPPORT VP	125123			2,938								303,239	306,177
Lg Comm& Indus Bill	125127											613,379	613,379
Regulatory Rptg Gas	125132											296,576	296,576
HR - Recruitment Str	125171											347,147	347,147
Talent Acquisition S	125176											221,386	221,386
HR-Learning & Organi	125181											1,125,301	1,125,301
Long Term Financing	125210			2,146								593,629	595,774
SVP & Chief HR Officer	125307			2,073								1,378,424	1,380,498
Chief Risk Officer	125402											921,426	921,426
Audit - B	125405											429,609	429,609
Legal Regulatory	125420		(23,063)	31								(367,147)	(390,179)
Legal Litigation	125421		(11,808)	1,602								(188,155)	(198,361)
P&L PURCH & MM DIR	156145												
P&L PROCUR & SOURCE	156148												509,269
P&L GAS PURCH MGR	156150												
P&L CONTRACT ADMIN.	156155												232,237
SEC SECURITY DIR	156180											1,260,937	1,260,937
Technology System Co	156201												
Technology Security	156207				406,441	1,768,289	30,040	530,199				1,160,119	3,895,088
Technology Sys Infra	156211												
Tech Consulting Svc	156219												
Bus User Supp/Svc Desk	156223				148,234	549,421	7,622	13,301				9,013	727,591
Archit/Tech Risk	156225				129,067	560,159	9,360	166,243				369,870	1,234,500
Customer Solutions	156226				72,801	315,681	3,790	181,766				155,551	729,589
TO Advance Finance	156231												
Mkt/Field/Logistics	156239				1,546	6,138	81	11,740				8,782	28,287
Contact Center Tech	156250												
Technical Operations	156265				31,359	136,523	2,313	41,669				88,491	300,355
Portfolio & Integral	156267				72,717	316,281	5,383	96,170				206,790	697,341
Org. Read/Risk Mgmt	156269				60,521	260,760	4,516	80,470				171,956	578,243
HR - Electric Ops	158801											1,261,702	1,261,702
HR - Compensation	158802											509,446	509,446
HR - Benefits	158803											461,313	461,313
HR - Gas Ops	158805												
Regulatory	159022		40,175	869								191,678	232,722
Houston Call Center	159032							478,673					478,673
Claims	159044										993,019		993,019
Fleet & Shop Srv Adm	159051									518,445		8	518,453
Marketing Communicat	159081								1,001,363				1,001,363
Bill Print/Insert Ops	159082												
Gas Sales and CIP Im	159090												
Strategic Marketing	159093							435,247				9,712	444,959
		77,416	176,060	15,072	922,686	3,913,271	63,105	2,035,479	1,001,363	518,445	993,019	20,891,900	741,506
													31,151,342

Estimated Service Company  
Allocated to CenterPoint En

Allocate Integration Adjustment to CEHE FERCs													
Description	Cost Center	4261	4264	4265	5600	5800	9020	9030	9090	9210	9250	9302	1070 Total
Corp Fin Ping & Perf	125007	-	-	123	-	-	-	-	-	-	-	19,745	19,868
Corp Communications	125019	-	-	1	-	-	-	-	-	-	-	63,106	63,108
Corp Legal	125020	-	7,300	410	-	-	-	-	-	-	-	116,485	124,195
Central Legal	125021	-	-	-	-	-	-	-	-	-	-	6,081	6,081
ENVIRONMENTAL SRVS	125036	-	-	-	-	-	-	-	-	-	-	68,758	68,758
Local Relations	125050	-	31,121	-	-	-	-	-	-	-	-	3,766	34,887
Compliance/Records	125055	-	-	-	-	-	-	-	-	-	-	9,167	9,167
Community Relations	125056	1,468	-	-	-	-	-	-	-	-	-	31,765	33,233
Chief Acctg Officer	125100	-	-	35	-	-	-	-	-	-	-	22,903	22,938
Fin Rep/Corp Acctg	125101	-	-	-	-	-	-	-	-	-	-	12,764	12,764
Property Accounting	125104	-	-	-	-	-	-	-	-	-	-	6,944	6,944
Trans & Ad Val Tax	125109	-	-	-	-	-	-	-	-	-	-	10,568	10,568
BUS & OPS SUPPORT VP	125123	-	-	567	-	-	-	-	-	-	-	58,556	59,123
Lg Comm& Indus Bill	125127	-	-	-	-	-	-	-	-	-	-	11,007	11,007
Regulatory Rplg Gas	125132	-	-	-	-	-	-	-	-	-	-	5,400	5,400
HR - Recruitment Str	125171	-	-	-	-	-	-	-	-	-	-	11,821	11,821
Talent Acquisition S	125176	-	-	-	-	-	-	-	-	-	-	13,335	13,335
HR-Learning & Organi	125181	-	-	-	-	-	-	-	-	-	-	24,874	24,874
Long Term Financing	125210	-	-	190	-	-	-	-	-	-	-	52,500	52,690
SVP & Chief HR Offcr	125307	-	-	105	-	-	-	-	-	-	-	69,987	70,092
Chief Risk Officer	125402	-	-	-	-	-	-	-	-	-	-	52,921	52,921
Audit - B	125405	-	-	-	-	-	-	-	-	-	-	8,556	8,556
Legal Regulatory	125420	-	5,167	(7)	-	-	-	-	-	-	-	82,259	87,420
Legal Litigation	125421	-	7,447	(1,010)	-	-	-	-	-	-	-	118,667	125,104
P&L PURCH & MM DIR	156145	-	-	-	-	-	-	-	-	-	-	-	42,362
P&L PROCUR & SOURCE	156148	-	-	-	-	-	-	-	-	-	-	-	-
P&L GAS PURCH MGR	156150	-	-	-	-	-	-	-	-	-	-	-	-
P&L CONTRACT ADMIN.	156155	-	-	-	-	-	-	-	-	-	-	-	18,579
SEC SECURITY DIR	156160	-	-	-	-	-	-	-	-	-	-	1,179	1,179
Technology System Co	156201	-	-	-	-	-	-	-	-	-	-	-	-
Technology Security	156207	-	-	-	1,375	5,984	102	1,794	-	-	-	3,926	13,181
Technology Sys Infra	156211	-	-	-	-	-	-	-	-	-	-	-	-
Tech Consulting Svc	156219	-	-	-	-	-	-	-	-	-	-	-	-
Bus User Supp/Svc Desk	156223	-	-	-	3,007	11,146	155	270	-	-	-	183	14,760
Archit/Tech Risk	156225	-	-	-	9,141	39,674	663	11,774	-	-	-	26,182	87,435
Customer Solutions	156226	-	-	-	13,783	59,766	718	34,413	-	-	-	29,450	138,129
TO Advance Finance	156231	-	-	-	-	-	-	-	-	-	-	-	-
Mkt/Field/Logistics	156239	-	-	-	340	1,352	18	2,585	-	-	-	1,934	6,229
Contact Center Tech	156250	-	-	-	-	-	-	-	-	-	-	-	-
Technical Operations	156265	-	-	-	1,967	8,564	145	2,614	-	-	-	5,551	18,842
Portfolio & Integral	156267	-	-	-	202	877	15	267	-	-	-	573	1,933
Org. Read/Risk Mgmt	156269	-	-	-	6,330	27,277	472	8,417	-	-	-	17,986	60,483
HR - Electric Ops	158801	-	-	-	-	-	-	-	-	-	-	48,842	48,842
HR - Compensation	158802	-	-	-	-	-	-	-	-	-	-	14,137	14,137
HR - Benefits	158803	-	-	-	-	-	-	-	-	-	-	21,965	21,965
HR - Gas Ops	158805	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory	159022	-	12,347	267	-	-	-	-	-	-	-	58,907	71,521
Houston Call Center	159032	-	-	-	-	-	-	5,189	-	-	-	-	5,189
Claims	159044	-	-	-	-	-	-	-	-	-	25,498	-	25,498
Fleet & Shop Srv Adm	159051	-	-	-	-	-	-	-	-	31,860	-	1	31,861
Marketing Communicat	159081	-	-	-	-	-	-	-	1,936	-	-	-	1,936
Bill Print/Insert Ops	159082	-	-	-	-	-	-	-	-	-	-	-	-
Gas Sales and CIP Im	159090	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Marketing	159093	-	-	-	-	-	-	14,061	-	-	-	314	14,374
		1,468	63,382	681	36,147	154,639	2,287	81,383	1,936	31,860	25,498	1,113,066	60,941
													1,573,266

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

**PUBLIC UTILITY COMMISSION OF TEXAS  
REQUEST NO.: PUC02-15**

**QUESTION:**

Payroll

Has the Company experienced any reductions in force since the end of the test year or does the Company anticipate any reductions in force during the rate year? If yes, please describe and quantify.

**ANSWER:**

As discussed in the Direct Testimony of M. Shane Kimzey, the transaction between CenterPoint Energy, Inc. (CNP) and Vectren Corporation closed on February 1, 2019, after the test year for this rate filing. The completion of this transaction resulted in the restructuring of several departments across the enterprise. As a result, the Company experienced a reduction in headcount of 32 FTEs.

**SPONSOR (PREPARER):**

Lynne Harkel-Rumford (Lynne Harkel-Rumford)

**RESPONSIVE DOCUMENTS:**

None