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July 16, 2019 PUBLIC UTILITY COMMISSION FILING CLERK

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

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

Dear Judges Bailey, Arnold and Drews:

Pursuant to SOAH Order No. 10, CenterPoint Energy Houston Electric, LLC hereby files its proposed Findings of Fact, Conclusions of Law and Ordering Paragraphs.

Best regards,

Ann M. Coffin

cc: All Parties of Record

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

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

PROPOSED ORDER

This Order addresses the application of CenterPoint Energy Houston Electric, LLC (CenterPoint Houston or the Company) for authority to change rates. The Commission approves CenterPoint Houston's application to the extent provided in this order.

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

I. Findings of Fact

Applicant

1. CenterPoint Houston is an investor-owned electric utility within the Electric Reliability Council of Texas (ERCOT) system.

2. CenterPoint Houston is a subsidiary of CenterPoint Energy, Inc. (CNP).

3. CenterPoint Houston serves approximately 2.5 million metered customers.

4. CenterPoint Houston's electric system covers approximately 5,000 square miles located in and around Houston, Texas and is comprised of approximately 58,000 miles of overhead and underground transmission and distribution lines.

5. CenterPoint Houston's last rate case was filed on June 30, 2010 and docketed as *Application of CenterPoint Energy Houston Electric LLC for Authority to Change Rates*, Docket No. 38339, Order on Rehearing, June 23, 2011.

Application

6. On April 5, 2019, CenterPoint Houston filed an application and statement of intent to change retail transmission and distribution rates and wholesale transmission rates with an effective date of May 10, 2019.

7. The applicable test year was the period from January 1, 2018 through December 31, 2018.

8. CenterPoint Houston initially sought Commission approval to increase transmission and distribution revenues by approximately $161 million, inclusive of Rider UEDIT. The requested adjustment included a net annual increase in retail transmission and distribution rates of approximately $154.2 million over adjusted test-year revenues. The requested

increase also included an annual increase of approximately $6.8 million for wholesale transmission service.

9. The Company also initially proposed the establishment of Rider UEDIT to continue returning to customers approximately $97 million over three years in unprotected excess deferred federal income taxes (EDIT) resulting from the enactment of the legislation referred to as the Tax Cuts and Jobs Act of 2017 (TCJA).

10. As amended by its errata filing, CenterPoint Houston's application now seeks an increase in transmission and distribution revenues by $154.6 million, inclusive of Rider UEDIT. This increase is comprised of a net annual increase in retail transmission and distribution rates of approximately $149.2 million over adjusted test-year revenues and an annual increase of approximately $5.4 million for wholesale transmission service. Through its errata filing, CenterPoint Houston's Rider UEDIT would return approximately $119 million to customers over a three-year period.

11. In addition to the rate increase, CenterPoint Houston requested a prudency determination for all capital investment made between January 1, 2010 and December 31, 2018, approval to establish and recover certain regulatory assets and liabilities, permission to install voltage regulation battery assets, approval of new facility extension policies for electric vehicle public charging stations and the recovery of reasonable rate case expenses.

Intervenors and Intervenor Alignment

12. Commission Staff participated in this docket.

13. In State Office of Administrative Hearings (SOAH) Order No. 2 issued on May 1, 2019, the SOAH ALJs granted intervenor status to the following entities: Office of Public Utility Counsel (OPUC), City of Houston (COH), Gulf Coast Coalition of Cities (GCCC), Texas Coast Utilities Coalition (TCUC), Texas Industrial Consumers (TIEC), Alliance of Retail Marketers (ARM), and Texas Energy Association for Marketers (TEAM).

14. In SOAH Order No. 3 issued on May 16, 2019, the SOAH ALJs granted intervenor status to the following entities: Calpine Corporation, Texas Competitive Power Advocates (TCPA), and Olin Corporation (Olin).

15. In SOAH Order No. 6 issued on June 4, 2019, the SOAH ALJs granted intervenor status to the following entities: McCord Development, Inc. (McCord), Generation Park Management District (GMPD), H-E-B, Enel X North America, Inc. (Enel X), Walmart Inc. (Walmart), Solar Energy Industries Association (SEIA), and Houston Coalition of Cities (HCC).

Appeals of Municipal Ordinances

16. Subsequent to the filing of this application, on June 7, 2019, CenterPoint Houston timely appealed the rate decisions of the municipalities that approved the rate change request by failing to take timely action.

17. In SOAH Order No. 7, CenterPoint Houston's municipal rate appeals were consolidated into this proceeding.

Testimony and Statements of Position

18. On April 5, 2019, CenterPoint Houston included in its application the direct testimonies and exhibits of Kenny M. Mercado, Randal M. Pryor, Martin W. Narendorf Jr., Dale Bodden, Julienne P. Sugarek, John R. Hudson, Kristie L. Colvin, Charles W. Pringle, Justin J. Hyland, Michelle M. Townsend, John E. Slanina, Shachella D. James, Rebecca Demarr, Shane Kimzey, Kelly C. Gauger, Diane M. Englet, Lynne Harkel-Rumford, John J. Reed, Timothy S. Lyons, Dane A. Watson, Robert B. Hevert, Robert B. McRae, Gregory S. Wilson, J. Stuart McMenamin, Matthew A. Troxle, and Myles F. Reynolds.

19. On June 6, 2019, OPUC filed the direct testimonies and exhibits of June M. Dively, Anjuli Winker, and Karl Nalepa; COH and HCC jointly filed the direct testimonies and exhibits of Kit Pevoto, Mark E. Garrett, and Scott Norwood; GCCC filed the direct testimony and exhibits of Lane Kollen; TCUC filed the direct testimonies and exhibits of J. Randall Woolridge and David J. Garrett; Walmart filed the direct testimony of Steve W. Chriss; TIEC filed the direct testimonies and exhibits of Jeffrey Pollock, Billie S. LaConte, Michael P. Gorman, and Charles S. Griffey; and H-E-B filed the direct testimony of George W. Presses.

20. On June 12, 2019, Staff filed the direct testimony and exhibits of Brian T. Murphy, Reginald J. Tuvilla, William B. Abbott, Mark Filarowicz, Blake P. Ianni, Alicia Maloy, Jorge Ordonez, Tom Sweatman, and Darryl Tietjen.

21. On June 12, 2019, ARM, Calpine, Enel X, GMPD, McCord, SEIA, TCPA and TEAM, each filed, either individually or jointly, a Statement of Position.

22. On June 19, 2019, CenterPoint Houston filed the rebuttal testimony of Randal M. Pryor, Martin W. Narendorf Jr., Julienne P. Sugarek, John R. Hudson, Kristie L. Colvin, Charles W. Pringle, Michelle M. Townsend, Kelly C. Gauger, Lynne Harkel-Rumford, John J. Reed, Dane A. Watson, Robert B. Hevert, Robert B. McRae, J. Stuart McMenamin, Matthew A. Troxle, Jeffrey S. Myerson, Ellen Lapson, and George C. Sanger.

23. On June 19, 2019, COH and HCC jointly filed the cross-rebuttal testimony of Kit Pevoto; TIEC filed the cross-rebuttal testimony of Jeffrey Pollock; OPUC filed the cross-rebuttal

testimony of Karl Nalepa; H-E-B filed the cross-rebuttal testimony of George W. Presses; and Staff filed the cross-rebuttal testimonies of William B. Abbott and Brian T. Murphy.

24. At the hearing on the merits, Staff supplied the supplemental direct testimony of Thomas Sweatman. The testimony was filed on July 3, 2019.

Referral to SOAH (Issue Nos. 23, 24, 42)

25. On April 8, 2019, the Commission referred this docket to SOAH and ordered CenterPoint Houston, Commission Staff, and any other interested party to file a list of issues by April 24, 2019.

26. In SOAH Order No. 1 issued on April 9, 2019, the SOAH ALJs suspended rates until October 7, 2019, and provided notice of a prehearing conference.

27. On May 9, 2019, the Commission approved the preliminary order (Preliminary Order) for this docket, setting forth a list of 59 issues to be addressed. The Preliminary Order stated that the following issues would not be addressed in this proceeding:

    a. Whether CenterPoint Houston should be permitted to install voltage-regulation battery assets.
    b. Whether CenterPoint Houston should be permitted to modify its tariff to add an additional allowance for facility extensions to electric charging stations.

28. In SOAH Order No. 5 issued on June 4, 2019, the SOAH ALJs granted CenterPoint Houston's motion to sever issues related to rate case expenses incurred in this docket and other prior dockets.

29. In SOAH Order No. 5 the ALJs established Docket No. 49595, *Review of Rate Case Expenses Incurred by CenterPoint Energy Houston Electric, LLC in Docket Nos. 38339, 45747, 47032, 47364, 48226, and 49421.*

30. SOAH Order No. 6 held that any party that filed neither direct testimony nor a statement of position by the deadline was subject to being stricken as a party.

31. On June 24, 2019, the hearing on the merits convened and the hearing was held through June 28, 2019.

32. The hearing was presided by ALJs Meaghan Bailey, Steven D. Arnold, Elizabeth Drews and Fernando Rodriguez.

33. Olin did not file testimony nor a statement of position. CenterPoint Houston filed a Motion to Strike all Intervenors Who Failed to File Direct Testimony or a Statement of Position on

June 20, 2019. On June 24, 2019, the ALJs granted the motion and Olin was struck as a party to this proceeding.

34. On July 9, 2019, the parties filed initial post-hearing briefs.

35. On July 16, 2019, the parties filed reply briefs and the record was closed.

Application (Issue No. 1)

36. CenterPoint Houston's rate filing package was prepared in accordance with the requirements of the Commission including, but not limited to, 16 Texas Administrative Code (TAC) § 25.231, Cost of Service and in accordance with the Transmission & Distribution Investor Owned Utilities Rate Filing Package for Cost-of Service Determination (RFP).

37. The information provided in the RFP is taken from the Company's accounts and records as prescribed in the Federal Energy Regulatory Commission (FERC) Electric Uniform System of Accounts (FERC USOA) as required by 16 TAC § 25.72.

38. The workpapers have been appropriately designated, supported and positioned in accordance with RFP General Instruction No. 12, notes a, b, and c.

39. The information provided in the RFP is based on a historical 12-month test year ending December 31, 2018.

Books and Records in Support of the Application

40. The books, accounts and records of CenterPoint Houston are maintained in accordance with generally accepted accounting principles (GAAP), follow the FERC USOA as required by Commission rules, and are maintained under normal business practices. The business records were made available to all parties and the summaries thereof submitted as part of the application filed in this case were accurate.

Application is Administratively Complete (Issue No. 2)

41. No party challenged the adequacy and completeness of the Company's application and in SOAH Order No. 4, the ALJs found that the Company's application was deemed sufficient.

Notice (Issue No. 3)

42. Notice was provided as required by PURA §§ 36.102 and 36.103, as well as 16 TAC § 22.51(a).

43. CenterPoint Houston served a copy of its statement of intent on each municipality within CenterPoint Houston's service area and a copy of its petition was provided to each municipality within CenterPoint Houston's service area with original jurisdiction on March 1, 2019.

44. CenterPoint Houston timely served by mail notice of the application to each of the ERCOT wholesale transmission customers on the service list in Commission Staff's *Application to Set 2019 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas*, Docket No. 48928.

45. CenterPoint Houston timely served notice by mail of the application to each retail electric provider (REP) listed on the Commission's website as of the date on which service was sent.

46. A copy of the Application and RFP was sent to each party that participated in Docket No. 38339 by hand delivery or overnight mail.

47. On April 16, 2019, a revised notice was mailed to each of the ERCOT wholesale transmission customers on the service list in Docket No. 48928 and to each REP listed on the Commission website.

48. On May 14, 2019, CenterPoint Houston filed publisher's affidavits attesting that CenterPoint Houston provided notice by publication once per week for four consecutive weeks on April 18, April 25, May 2, and May 9, 2019.

49. On May 14, 2019, CenterPoint Houston filed the affidavit of Alice S. Hart attesting to the completion of the publication of notice as required by 16 TAC § 22.51(a)(1).

50. No party challenged the adequacy of the notice provided by CenterPoint Houston and Staff recommended that the ALJs find that the Company's notice was sufficient.

51. In SOAH Order No. 2 issued on May 1, 2019, the SOAH ALJs found CenterPoint Houston's notice of the application sufficient.

52. Notice of CenterPoint Houston's application was published once each week for four consecutive weeks in a newspaper having general circulation in each county of CenterPoint Houston's Texas service area.

<u>Overall Revenue Requirement (Issue No. 4)</u>

53. The overall revenue requirement, not inclusive of Rider UEDIT, that will allow a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses established by CenterPoint Houston in this proceeding is $2.284 billion.

Overall Cost of Service (Issue No. 5)

54. CenterPoint Houston's total adjusted cost of service, not inclusive of Rider UEDIT, is $2.352 billion.

Transmission and Distribution Cost of Service (Issue No. 6)

55. CenterPoint Houston's distribution system begins at the distribution substation and consists of poles, wires, transformers, meters, and other equipment that efficiently transport power from the transmission delivery system to the customer.

56. CenterPoint Houston's distribution system has approximately 1,700 distribution feeders, includes over 12,805 miles of overhead primary laterals, and over 10,347 miles of underground residential distribution (URD) laterals.

57. CenterPoint Houston completed the installation of approximately 2.2 million advanced meters on July 1, 2012.

58. The population in and around Houston grew from approximately 5.9 million in 2010 to nearly 6.9 million in 2017.

59. From January 1, 2010 through December 31, 2018, CenterPoint Houston has added 359,525 new residential customers and 41,991 new non-residential customers.

60. CenterPoint Houston's overhead distribution pole miles have increased an average of 171 miles per year over the past four years.

61. CenterPoint Houston's underground residential distribution circuit miles have increased an average of 257 miles per year over the past four years.

62. Since the last rate proceeding, CenterPoint Houston has constructed 221 new substation feeder positions to accommodate new distribution feeders, 55 new substation transformers, made size upgrades for 12 substation transformers and 6 new distribution substations.

63. Substantial customer growth is anticipated into the future in CenterPoint Houston's service area.

64. CenterPoint Houston's overall distribution cost of service to operate and maintain its distribution system is $1.342 billion as shown on Schedule I-A-1, inclusive of other revenues, and comprised of the Distribution, Metering and T&D Customer Service functions.

65. CenterPoint Houston's transmission delivery system consists of transmission lines, including associated towers, poles, conductors, insulators and other components; the

Company's transmission control center; various equipment at electrical substations, including the associated circuit breakers, transformers, capacitors, switches, Supervisory Control and Data Acquisition equipment and relay control equipment.

66. CenterPoint Houston has 3,834 circuit miles of overhead and underground transmission lines, 234 substations owned by CenterPoint Houston, and its system connects to 163 substations owned by third parties.

67. CenterPoint Houston's overall transmission cost of service to operate and maintain the transmission system is $942 million as shown on Schedule I-A-1, inclusive of other revenues.

Rate Base (Issue Nos. 4, 5, 10, 11, 12, 15, 16, 17, 18, 19)

68. CenterPoint Houston's total requested rate base is $6.415 billion as shown on Schedule II-B.

Overall Investment from January 1, 2010 through December 31, 2018.

69. CenterPoint Houston's total capital investment incurred between January 1, 2010 and December 31, 2018 is used and useful in providing service to the public and is reasonable and necessary.

70. CenterPoint Houston requested a prudency determination on all capital investments made to its system from January 1, 2010 through December 31, 2018.

71. CenterPoint Houston's total Distribution Plant investment during the period from January 1, 2010 through December 31, 2018 was $2.345 billion.

72. CenterPoint Houston's total Transmission Plant investment during this period was $3.036 billion.

Capital Project Prudence

Major Underground Rehabilitation Program

73. CenterPoint Houston established a Major Underground Rehabilitation Program over thirty years ago.

74. CenterPoint Houston's Major Underground system is defined as an area that services the majority of the business center in downtown Houston, the Texas Medical Center, the Galveston Medical Center, Bush Intercontinental Airport, and many other areas of critical and highly important businesses and commercial customers who depend on a continuous supply of safe and reliable electric service.

75. Failure of CenterPoint Houston's Major Underground infrastructure would impact hundreds of individuals living, working or receiving medical treatment and result in significant environmental safety concerns and economic repercussions, and require significant effort and response to restore.

76. CenterPoint Houston's Major Underground Rehabilitation Program is a program designed to identify potential failures in aged underground cable and other URD components before they occur.

77. CenterPoint Houston's Major Underground Rehabilitation Program provides enhanced reliability to customers and prevents unscheduled outages due to failures that impact the Major Underground system.

78. CenterPoint Houston invested $57.5 million in a Major Underground Rehabilitation Program between January 1, 2010 and December 31, 2018.

79. Investment in CenterPoint Houston's Major Underground Rehabilitation program totaling $57.5 million is reasonable, necessary and prudent to provide continuous and adequate service.

Underground Residential Distribution Cable Life Extension Program

80. Investment in URD replacement is a necessary cost of providing electric service for CenterPoint Houston.

81. CenterPoint Houston has more than 18,000 URD loops comprising more than 13,000 miles of cable and associated distribution equipment.

82. Of CenterPoint Houston's more than 18,000 URD loops, 27% of the loops have cables that are at least 35 years old and these loops have the highest probability of failure, accounting for 44% of system outages.

83. CenterPoint Houston's Cable Life Extension Program (CLEP Program) involves a one-time assessment of each of the Company's loops that have cable in excess of 35 years of age and results in rehabilitation of the cable to the original manufacturer's specifications.

84. CenterPoint Houston's CLEP Program is a proactive program designed to identify potential failures in aged underground cable and other URD components.

85. CenterPoint Houston's CLEP Program was implemented specifically as part of a one-time major rehabilitation capital project that extends the useful life of the system.

86. Rehabilitation of CenterPoint Houston's URD loops improves reliability and extends the life of the asset.

87. CenterPoint Houston has assessed and extended the life of more than 10 times as many loops as it had been replacing annually, significantly reducing costs and improving system reliability.

88. CenterPoint Houston's investment totaling $54 million in the CLEP Program is reasonable, necessary and prudent.

89. CenterPoint Houston's CLEP Program is a one-time rehabilitation project, meets all FERC and CenterPoint Houston's criteria for capitalization, and is therefore properly capitalized.

Capital Project Oversight and Budget Estimation

Foundation Installation

90. Concrete materials were used to install the foundations of CenterPoint Houston capital facilities and certain capital costs incurred in 2015 associated with foundation repairs were identified as HLP/00/0801.

91. Concrete materials are subject to the risk of Alkali-Silica Reactions (ASR).

92. ASR is a function of the concrete material, not the method of installation, and it is a condition that occurs naturally in all concrete.

93. CenterPoint Houston has acted to mitigate the risk of an ASR reaction in concrete, but this risk cannot be eliminated.

94. CenterPoint Houston reasonably, necessarily and prudently incurred capital costs to repair foundations impacted by ASR.

Construction Project Estimates

95. To ensure that planned expenditures remain reasonable, CenterPoint Houston monitors actual expenses and compares them against budgeted amounts on a monthly basis and investigates variances.

96. CenterPoint Houston develops initial estimated costs to commence planning of projects early and allow ample time for the review and approval process.

97. Although it is reasonable to develop initial estimated project costs and it encourages prudent planning of projects, it is not reasonable to base a capital disallowance only upon cost variances between the initial estimate and final capital project costs.

98. All estimates are by definition approximation of actual charges and the reasonableness of capital project costs is a fact-specific determination.

99. It is not reasonable to rely exclusively on cost estimates to determine whether capital project costs were prudently incurred.

100. CenterPoint Houston experienced, on average, a cost variance of approximately negative 8.5% for all transmission lines reported on its monthly construction progress reports filed between January 1, 2010 and December 31, 2018 that were not funded on a customer-specific basis.

Alexander Island Substation

101. CenterPoint Houston demonstrated that the scope of the Alexander Island Substation project changed after detailed engineering and construction input and no challenge to any specific expenditure was raised.

102. CenterPoint Houston's Alexander Island Substation was shown to be in service, used and useful, and the capital investment associated with this project is reasonable, necessary and prudent.

La Marque Substation

103. CenterPoint Houston demonstrated that the scope of the La Marque Substation project changed after detailed engineering that determined that seven structures instead of an original four structures were required and the final cost reflects this change.

104. CenterPoint Houston's La Marque Substation was shown to be in service, and used and useful, and the costs associated with this project are reasonable, necessary and prudent.

Dow Substation

105. CenterPoint Houston has not included any costs associated with the Dow Substation projected in rate base as this was a customer funded project.

106. Any adjustment to CenterPoint Houston's rate base for the Dow Substation project would be unreasonable.

W.A. Parish Substation

107. CenterPoint Houston's W.A. Parish Substation project was a 345-kV service to W.A. Parish substation, provides system-wide benefits, is reasonable, is used and useful, and had a total actual cost of $420,531, which was 5.7% under budget.

108. Costs associated with CenterPoint Houston's W.A. Parish Substation project are reasonable, necessary and prudent.

Jones Creek Substation

109. CenterPoint Houston's Jones Creek Substation was required to serve a new 721 MW load associated with a proposed natural gas liquefaction and export facility being developed by Freeport LNG in the Freeport Area and was reviewed as part of the ERCOT Regional Planning Group process.

110. CenterPoint Houston demonstrated that the original estimate for CenterPoint Houston's Jones Creek Substation project changed as a result of increasing load requirements of the area, geotechnical and subsurface engineering data, wetland mitigation requirements, and permitting requirement changes.

111. The costs associated with CenterPoint Houston's Jones Creek Substation are reasonable, necessary and prudent.

Springwoods Substation

112. CenterPoint Houston demonstrated that the Springwoods Substation project included transmission and substation costs and that the cost variance for the construction of the Springwoods substation was driven by increased site improvement costs for vegetation clearing, additional dirt back-fill, and wire-wall security fencing.

113. Costs associated with CenterPoint Houston's Springwoods Substation project are reasonable, necessary and prudent.

Tanner Station

114. CenterPoint Houston's Tanner Station project included transmission and substation costs for the project.

115. The actual cost of the transmission-portion of CenterPoint Houston's Tanner Station project was shown to be 10.5% below the original cost estimate.

116. The actual cost of the substation-portion of CenterPoint Houston's Tanner project was shown to be 12.6% below the original cost estimate.

117. Costs associated with CenterPoint Houston's Tanner Station project are reasonable, necessary and prudent.

Capitalization Accounting and Capitalization Policy Changes

118. CenterPoint Houston follows all applicable accounting rules established by Generally Accepted Accounting Principles (GAAP) and the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA).

119. To determine whether a cost is capitalized or expensed, CenterPoint Houston relies on: (1) FERC Guidelines; (2) CNP's Capitalization Policy; and CNP's Capitalization of Computer Software Policy.

120. CNP's Capitalization Policy and the Capitalization of Computer Software Policy are consistent with FERC policy and no evidence was presented challenging those policies.

121. Testing is performed in accordance with the Sarbanes Oxley control to ensure that items meet the specifications of being a capital order.

122. CenterPoint Houston's independent financial auditor, Deloitte & Touch LLP, evaluates orders to determine that they are correctly classified as capital.

Capitalization Adjustments

123. FERC USOA provides that all property is considered to be either a discrete retirement unit or a minor item of property. Replacement of retirement units are required to be capitalized.

124. CenterPoint Houston projects identified as ABIZ, HLP/00/0011, and HLP/00/0012 were all capital replacement projects.

125. It was just and reasonable for CenterPoint Houston to capitalize the projects identified as ABIZ, HLP/00/0011, and HLP/00/0012 because retirement units were replaced.

126. The CenterPoint Houston project identified as Project ENTD086 is titled Corporate Website Redesign.

127. GAAP sets forth the GAAP accounting standards for website development costs Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-50, Website Development Costs.

128. GAAP standards require that costs related to the website development project be expensed or capitalized depending upon the stage of the website development project.

129. GAAP standards require that costs incurred during the application development stage be capitalized.

130. CenterPoint Houston appropriately capitalized costs that were incurred during the application development stage as required by GAAP FASB ASC 350-50.

131. FERC USOA provides that the costs of tools and equipment used in construction and/or repair work are eligible for capitalization to FERC account 394.

132. The CenterPoint Houston capital project identified as S/1-1318/CG/Tools included tools and long-lived assets that were valued in excess of $500 and were properly capitalized in FERC account 394.

Land Costs

133. GRP 855 Land Rights totaling $8,160 was erroneously classified as a 2010 capital cost and should have been reflected as an expense.

134. CenterPoint Houston included in its calculation of distribution invested capital the cost of land associated with substations that are currently under construction and all are expected to be energized in the second half of 2019 or early 2020; these costs were described as (1) GRP 340 Land Owned in Fee totaling $1,192,280.29; (2) GRP 868 Land Owned in Fee totaling $2,000,953.89; and (3) GRP 823 Land Owned in Fee totaling $1,602,451.29.

135. Lands on which active construction is currently taking place and which are serving their intended purpose as sites for construction of substation facilities are used and useful and it was reasonable to record these in FERC account 360 Land and Land Rights.

Distribution Line Clearance Project

136. Lidar surveys are performed on approximately 20% of CenterPoint Houston's transmission system each year to identify and remediate transmission line clearance issues.

137. Line clearance issues identified by CenterPoint Houston result in capital work such as replacement of poles, conductors, and other capital assets.

138. CenterPoint Houston's Distribution Line Clearance Project costs are charged and reflected on Project Number HLP/00/1055 because replacement of retirement units is required to be capitalized under the FERC USOA.

139. CenterPoint Houston properly classified costs related to Project Number HLP/00/1055 as capital because they involve the replacement of retirement units.

Indirect Corporate Costs

140. Indirect corporate costs are those costs not necessary to provide distribution service and include items such as corporate aircraft and artwork.[1]

141. Indirect corporate costs are costs that cannot be directly assigned.

142. CenterPoint Houston established that it does not assign indirect corporate costs to capital projects.

[1] *Rulemaking Related to Periodic Rate Adjustments*, Project No. 39465, Order at 33 (Sept. 22, 2011).

143. CenterPoint Houston established that the work performed by Property Accounting, Accounts Payable and Call Center is all work performed based on capital activity and is, unlike indirect corporate costs, directly necessary to provide distribution service.

144. CenterPoint Houston established that DCRF filings included only direct cost and no adjustment or refund is required.

145. CenterPoint Houston has established that all costs included in its DCRF filings were just and reasonable.

Capital Investment Prudence Generally

146. CenterPoint Houston established the prudence of all capital investment for the period January 1, 2010 to December 31, 2018.

Plant Held for Future Use (PHFU)

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

148. PHFU assets for CenterPoint Houston totaled $11.4 million for the test year, as recorded in FERC account 105 and shown on Schedule II-B-6. For each asset, the expected date of use and function of the asset was reviewed and assigned. Of the total assets recorded to FERC account 105, $0.9 million is expected to be used by the utility in the next 10 years and appropriately included in rate base.

Prepaid Pension Asset

149. Prepaid Pension Asset is the accumulation of pension plan contributions minus the accumulation of pension expense recorded over the same period.

150. Minimum required contributions are not based on the pension expense and contributions to the pension plan exceeded pension expense because the Employee Retirement Income Security Act of 1974 (ERISA), which mandates the requirement to make the contributions, defined the minimum amount of contributions that CenterPoint Houston must make to the pension plan.

151. The required contributions have exceeded the pension expense due to requirements of FASB ASC Topic 715 that require CNP, on behalf of the Company, to fund the plan with cash faster than the pension expense accrual amounts that are recovered through rates.

152. Contributions to the Pension Plan have exceeded pension expense and the Company has been required to pay its portion of the contributions to the pension trusts well in advance of cost recovery in rates.

153. The RFP instructions for Schedule II-B-10 Prepayments notes that the amounts for prepayments are to be shown as 13-month averages.

154. CenterPoint Houston followed the Commission's RFP instructions for calculating the Prepaid Pension Asset balance shown on Schedule II-B-10.

155. CenterPoint Houston's Prepaid Pension Asset totaled $176.3 million, was based upon the 13-month average and was calculated consistent with Commission regulations and precedent.

156. CenterPoint Houston's Total Prepaid Pension Asset of $176.3 million is just and reasonable

157. The Total Prepaid Pension Asset should be reduced by the capital component identified as Construction Work in Progress (CWIP). The Company is authorized to apply and recover an amount for AFUDC on the net CWIP portion, $72.9 million. The remaining balance of the Prepaid Pension asset, of $84.0 million, should be included in rate base and earn a return at the weighted average cost of capital (WACC).

Accrued Postretirement Cost

158. Accrued Postretirement Cost is the accumulated Post-Retirement Medical Plan (PRM) expense in excess of accumulated PRM contributions over the same period.

159. CenterPoint Houston recovers PRM expense in rates and directly contributes amounts recovered through rates into the PRM trusts.

160. CenterPoint Houston properly excluded Accrued Postretirement Costs from the calculation of rate base because the accrued post-retirement costs consist of items that have not, and will not, be recovered through rates and because no prepayment by the Company or customers has been made.

Deferred Federal Income Tax (Issue Nos. 17, 19)

161. CenterPoint Houston's accumulated deferred federal income taxes (ADFIT) balance was uncontested, and an ADFIT balance of $(969.0) million is reasonable and necessary.

162. After reducing the Total Prepaid Pension Asset by the CWIP component (as discussed above in Finding of Fact 157), the remaining balance of ADFIT is $(949.7) million.

163. Congress enacted the TCJA in December 2017, which decreased the federal income tax rate for corporations from the highest marginal rate of 35% to a flat rate of 21%.

164. GAAP required CenterPoint Houston to re-measure ADFIT to reflect the estimated tax owed at the new 21% federal income tax rate.

165. The difference between the prior federal income tax rate (at 35%) and the TCJA's enacted federal income tax rate (21%) is properly reflected in CenterPoint Houston's EDIT balance.

166. CenterPoint Houston's TCJA-related EDIT balance has been, and will continue to be, returned to customers.

167. CenterPoint Houston's total TCJA-related EDIT balance as of December 31, 2018, is $646.1 million, and the associated regulatory liability as of December 31, 2018 is $(823.9) million.

168. CenterPoint Houston's total TCJA-related protected EDIT balance as of December 31, 2018 is $562.5 million and the associated protected EDIT regulatory liability balance is $(718.5) million.

169. CenterPoint Houston's total TCJA-related unprotected EDIT balance as of December 31, 2018 is $83.6 million and the associated unprotected EDIT regulatory liability balance is $(105.4) million.

170. CenterPoint Houston's total pre-TCJA protected EDIT regulatory liability balance is $(1.99) million.

Cash Working Capital (Issue No. 15)

171. CenterPoint Houston's cash working capital request was calculated in accordance with 16 TAC § 25.231(c)(2)(B)(iii), was not challenged and the Company has established that a cash working capital of $26.2 million is just and reasonable.

Other Prepayments

172. Prepayments are expenditures for goods or services that are paid in advance in one accounting period to be received in a future period.

173. CenterPoint Houston properly calculated prepayments as directed by the RFP General Instructions for Schedule II-B-10 that require that prepayments included in rate base be calculated based upon a 13-month average balance. The prepayments balance of $98.2 million is just and reasonable. After reducing the total prepayments balance of $190.4 million for the CWIP portion of the prepaid pension asset as noted in Finding of Fact 157, the total prepayments balance of $98.2 million is just and reasonable.

Regulatory Assets and Liabilities (Issue Nos. 18, 19, 34, 41, 54, 55, 59)

174. Accrued Postretirement Cost is not a regulatory liability that should be subtracted from rate base.

175. ASC 980, Regulated Operations allows utilities with cost-based rates to defer or capitalize certain costs (regulatory assets) or obligations (regulatory liabilities).

Protected Excess Deferred Income Tax

176. CenterPoint Houston's TCJA-related protected EDIT balance is $562.5 million and must be returned to customers no more quickly than permitted under the average rate assumption method (ARAM), and it is reasonable that the amount be returned to customers under ARAM.

177. It is reasonable that the EDIT regulatory liability balance as it relates to ADFIT be reflected in rate base as the balance is returned to customers.

178. It is reasonable that the protected EDIT regulatory liability from Schedule II-B-11 is carried forward into rate base on Schedule II-B.

179. Adjusting the TCJA-related protected EDIT balance when calculating ADFIT in future DCRF filings recognizes the benefits customers received from the return of the protected EDIT as the return of that liability occurs over time.

180. It is reasonable that CenterPoint Houston's protected TCJA-related EDIT balance associated with ADFIT be adjusted when calculating ADFIT in future DCRF filings.

Hurricane Harvey Regulatory Asset

181. Hurricane Harvey was a Category 4 storm that made landfall on August 25, 2017 with maximum sustained winds of 130 mph at landfall, producing 51.88 inches of rainfall, and broke the single-storm record of 48 inches set in 1978.

182. Hurricane Harvey impacted 1.2 million CenterPoint Houston customers, resulted in 293 total electric circuits being locked out, the disruption of 4,494 distribution fuses, destruction of two transmission structures, damage to six transmission structures, damage to several substations, and isolation of nine substations due to high water.

183. CenterPoint Houston activated its Emergency Operations Plan (EOP) on August 24, 2017, and more than 2,200 employees plus 1,500 contractors and mutual assistance personnel from several states were engaged to restore service; five staging sites were utilized and 352,000 total hours were worked during the EOP event.

184. CenterPoint Houston's EOP was deactivated on September 7, 2017.

185. CenterPoint Houston suffered significant damage and destruction in 2017 due to Hurricane Harvey.

186. In addition to normal internal controls, a validation team was assembled by CenterPoint Houston for the major storm-related spend areas to ensure that storm-related expenses were properly validated, accounted for, and approved prior to authorizing payment. Many of the individuals that were included in the validation team are tenured employees with extensive knowledge of the business, and most have been involved in prior storm restoration events.

187. In addition to normal internal controls and the validation team, an audit was performed by CenterPoint Energy Service Company, LLC (Service Company) to provide additional assurance that Hurricane Harvey storm restoration costs were reasonable and adequately supported.

188. Overall, the audit concluded that the EOP expense validation effort provided reasonable justification for Hurricane Harvey related expenses, and that EOP activities were effective and executed in a timely and safe manner to restore service for CenterPoint Houston customers impacted by Hurricane Harvey. No party challenged the reasonableness of those activities.

189. CenterPoint Houston included a non-tax related regulatory asset associated with Hurricane Harvey-related storm restoration operations and maintenance (O&M) costs totaling $73.0 million, which includes $8.7 million in carrying costs, net of insurance proceeds.

190. The delay in obtaining the securitization of funds can be lengthy and CenterPoint Houston is not able to securitize the damage from Hurricane Harvey because the damage, net of insurance proceeds, does not exceed $100 million.

191. CenterPoint Houston's request to recover Hurricane Harvey restoration costs plus carrying costs is consistent with PURA §§ 36.405(a) and 36.402(b) and with the Commission's approval of Hurricane Ike system restoration costs in *Application of CenterPoint Energy Houston Electric, LLC for Determination of Hurricane Restoration Costs*, Docket No. 36918.[2] It is also consistent with the Order in *Application of Texas-New Mexico Power Company to Change Rates*, Docket No. 48401.

192. Including carrying costs is consistent with Commission precedent and is just and reasonable.

193. It is just and reasonable to adjust CenterPoint Houston's requested Hurricane Harvey Regulatory Asset to remove $3,496 of hotel invoices with unresolved discrepancies and $5,937 for unnecessary hotel occupancy taxes.

[2] *Application of CenterPoint Energy Houston Electric, LLC for Determination of Hurricane Restoration Costs*, Docket No. 36918 Final Order at Finding of Fact 24 (Aug. 14, 2009).

194. CenterPoint Houston established that the documentation in support of the remaining hotel expenses was adequate and that the hotel expenses included in the Hurricane Harvey regulatory asset are just and reasonable. In most cases, the Company had hotel folios that allowed Audit Services to match up dates of stay during the Hurricane Harvey EOP response effort against invoices, and CNP's use of reserved room blocks further allowed Audit Services to confirm that hotel expenses were (i) related to those blocks, (ii) incurred during the EOP response period, and (iii) charged at agreed-upon rates.

195. It is just and reasonable to adjust CenterPoint Houston's requested Hurricane Harvey Regulatory Asset to remove $68,550 related to catering expense with inconsistent contract rate documentation.

196. CenterPoint Houston established that the documentation in support of the remaining catering and logistics expenses was adequate and that the catering and logistics expenses included in the Hurricane Harvey regulatory asset are just and reasonable. The overall documentation and information available demonstrated payments were approved by members of CNP management and in accordance with vendor agreements.

197. CenterPoint Houston established that the documentation in support of its challenged EOP OnePay Expenses was adequate and that the EOP OnePay Expenses included in the Hurricane Harvey regulatory asset are just and reasonable. The documentation and information available allowed the Company to verify that the services provided by the vendors in issue were (i) consistent with Company credit card receipts, (ii) relevant to the Hurricane Harvey restoration efforts, and (iii) approved by each individual's manager.

198. It is just and reasonable to adjust CenterPoint Houston's requested Hurricane Harvey Regulatory Asset to remove $18,713 related to employee awards and gifts and expense capital costs.

199. CenterPoint Houston has established that a Hurricane Harvey regulatory asset net of insurance proceeds and inclusive of carrying charges totaling $73.0 million is just and reasonable, it is appropriate that CenterPoint Houston include this regulatory asset in rate base, and it is reasonable and appropriate that CenterPoint Houston recover the asset over three years.

200. It is just and reasonable for CenterPoint Houston to continue to add carrying charges on the Hurricane Harvey regulatory asset in Finding of Fact 199 until rates from this docket are implemented and to address this balance in the Company's next base rate proceeding.

Medicare Part D Subsidy Regulatory Asset

201. The Medicare Prescription Drug Improvement and Modernization Act of 2003 (2003 Medicare Act) expanded Medicare to include prescription drug coverage.

202. CenterPoint Houston began receiving a subsidy from the federal government equal to 28% of the cost of providing such coverage (Medicare Part D Subsidy).

203. Under the 2003 Medicare Act, CenterPoint Houston could deduct for tax purposes the full cost of providing such coverage and was not required to reduce its deduction for the Medicare Part D Subsidy.

204. The Medicare Part D Subsidy created a permanent difference of $28.6 million from 2004 through 2009, as calculated pursuant to FASB Statement No. 109.

205. Only $5.4 million of the $28.6 million Medicare Part D Subsidy was actually received from 2004 through 2009 while the remaining $23.2 million of the permanent difference related to amounts that were anticipated to be received in 2010 and afterwards but nevertheless was required to be accrued under FASB Statement No. 106.

206. In 2010, Congress passed comprehensive health care legislation (the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the 2010 Healthcare Legislation)) that caused the Medicare Part D Subsidy to be effectively taxable for tax years beginning after December 31, 2012.

207. The amount of Medicare Part D Subsidy receipts that CenterPoint Houston received in 2010, 2011, and 2012 were non-taxable under the 2010 Healthcare Legislation, and were fully reflected in the income tax calculations CenterPoint Houston recorded in its financial statements in years prior to 2010.

208. The effects of the 2010 Healthcare Legislation were reflected in CenterPoint Houston's financial statements for the three months ended March 31, 2010, in accordance with GAAP.

209. The Order on Rehearing in Docket No. 38339 (38339 Order) recognized that the Commission has permitted the effects of changes in tax rates or tax laws to be recovered in rates charged to customers.[3]

210. The 38339 Order recognized that the 2010 Healthcare Legislation effectively changed the tax rate applicable to Medicare Part D Subsidies from 0% to 35%.[4]

211. The 38339 Order permitted CenterPoint Houston to establish a regulatory asset for the Medicare Part D Subsidy (the "Medicare Part D Subsidy Regulatory Asset").[5]

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[3] Docket No. 38339, Order on Rehearing at Finding of Fact 155.
[4] Docket No. 38339, Order on Rehearing at Finding of Fact 157A.
[5] Docket No. 38339, Order on Rehearing at Part II.F and Finding of Fact 159A.

212. The 38339 Order authorized CenterPoint Houston to continue to monitor and accrue the Medicare Part D Subsidy Regulatory Asset for what CenterPoint Houston's rates assumed the Medicare Part D Subsidy tax expense would be and what CenterPoint Houston would be required to pay.[6]

213. CenterPoint Houston properly included the years 2004 through 2012 in its calculation of the Medicare Part D Subsidy Regulatory Asset.

214. The Medicare Part D Subsidy Regulatory Asset is properly computed by reference to all years from and after 2004.

215. CenterPoint Houston properly reflected the recorded FAS 106 temporary differences in the ADFIT balance in CenterPoint Houston's books and records.

216. CenterPoint Houston properly calculated the Medicare Part D Subsidy Regulatory Asset of $33.2 million in accordance with the 38339 Order.

217. Medicare Part D Subsidies received from the federal government from 2013 through 2018 do not change the computation of the Medicare Part D Subsidy Regulatory Asset.

218. Income tax expense is not capitalized in CWIP.

219. The Medicare Part D Subsidy Regulatory Asset is related to income tax expense associated with the Medicare Part D Subsidy and therefore, it was not capitalized to CWIP.

220. CenterPoint Houston established that, as of the end of the test year, CenterPoint Houston has deferred $33.2 million in relation to the Medicare Part D Subsidy.

221. From the end of the test year to the implementation date of new rates, CenterPoint Houston is authorized to continue to monitor and accrue a regulatory asset for any additional difference between what its rates assume the Medicare Part D Subsidy tax expense will be and what the Company is required to pay as a regulatory asset and to address this balance in its next base rate proceeding.

222. The Medicare Part D Subsidy Regulatory Asset is pre-funded by CenterPoint Houston, resulting in a significant amount of funds that CenterPoint Houston has not yet recovered.

223. It is appropriate that CenterPoint Houston recover a return on its pre-funded capital that comprises the Medicare Part D Subsidy Regulatory Asset.

[6] Docket No. 38339, Order on Rehearing at Finding of Fact 159A.

224. The Medicare Part D Subsidy Regulatory Asset is just and reasonable, it is appropriate that CenterPoint Houston include this regulatory asset in rate base, and it is reasonable and appropriate that CenterPoint Houston recover the asset over three years.

Texas Margin Tax Regulatory Asset

225. The Texas Margin Tax (TMT) replaced the Texas Franchise Tax, became effective for tax reports due on or after January 1, 2008, and is calculated at 0.75% of the taxable entity's margin that has been apportioned to Texas.

226. CenterPoint Houston is part of a combined group (CenterPoint Houston state group) for purposes of calculating and reporting TMT.

227. The CenterPoint Houston state group calculates its margin by subtracting cost of goods sold from revenue, which produces the lowest margin for the CenterPoint Houston state group, and each CenterPoint Houston state group member computes the amount it pays to CNP based on this method.

228. Under Texas law, all entities in the CenterPoint Houston state group must use the same method to calculate their margin.

229. CenterPoint Houston was required to use the cost-of-goods-sold method and has utilized this method applied to the stand-alone revenues and expenses reflected in its financial statements to determine its TMT for the test year.

230. A one-year lag exists between the taxable year and the payment year for the TMT.

231. In the past, CenterPoint Houston has employed a one-year lag methodology to record and recover TMT. That method results in the 2017 payment for TMT being reflected in the cost of service and a 2018 TMT expense being recorded as a regulatory asset.

232. The Commission recognized in *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, that the Company recovers TMT, at that time known as the Texas Franchise Tax, on a two-year cycle; in one year, the amount is recorded as a deferred debit and in the second year, the amount is recovered in rates.

233. In *Application of CenterPoint Energy Houston Electric, LLC for Approval of a Distribution Cost Recovery Factor Pursuant to P.U.C. Substantive Rule 25.243,* Docket No. 44572, parties discussed whether CenterPoint Houston's method for recovering TMT expense could be simplified.

234. In response to the parties' discussions in Docket No. 44572, CenterPoint Houston proposed in this proceeding to change the way it recovers TMT expense.

235. CenterPoint Houston proposed to transition its recovery of TMT expense from its current two-year cycle to the accrual method.

236. In the proposed accrual method of recovery, CenterPoint Houston's TMT expense is the amount assessed on the revenue in the period the revenue was earned.

237. To transition to the accrual method of recovery, CenterPoint Houston proposed to recover its test year TMT expense through rates and establish a regulatory asset in the amount of its 2017 TMT expense paid in 2018.

238. To complete the transition to the accrual method of recovery for its TMT expense in this proceeding, CenterPoint Houston proposed an adjustment to extinguish the TMT regulatory asset balance.

239. CenterPoint Houston is proposing recovery of the TMT regulatory asset over a three-year period consistent with its other regulatory assets and liabilities.

240. CenterPoint Houston's calculation of its TMT test year expense and TMT regulatory asset is just and reasonable.

241. CenterPoint Houston's proposed adjustment to extinguish the TMT regulatory asset balance is just and reasonable and is required to reflect the unrecovered balance of CenterPoint Houston's 2017 TMT expense.

242. It is reasonable to allow the Company the opportunity to recover the TMT regulatory asset over a three-year amortization period.

To the extent CenterPoint Houston's proposal regarding the treatment of TMT is not approved, CenterPoint Houston proposes the following Findings of Fact to replace proposed Findings of Fact Nos. 234-242.

243. As a result of the one-year lag, it is reasonable to include CenterPoint Houston's 2017 TMT payment totaling $19.6 million in the cost of service.

244. Due to the one-year lag associated with TMT, the FASB ASC 980 and GAAP standards require a utility to capitalized incurred costs that will be recovered in the future.

245. CenterPoint Houston's current method and related accounting treatment of recovering TMT expense is consistent with ASC 980 and GAAP standards and is reasonable.

246. CenterPoint Houston's current method of accounting for TMT does not require that a regulatory asset be included in rate base for purposes of setting rates in this case.

247. ASC 980 and GAAP accounting standards require that CenterPoint Houston maintain its past accounting practice and record the accrued taxes to be paid the following year in a regulatory asset for accounting purposes and CenterPoint Houston's accounting practice is just and reasonable.

248. CenterPoint Houston's TMT in the amount of $19.6 million is reasonable and necessary.

Smart Meter Regulatory Asset

249. CenterPoint Houston incurred Smart Meter Texas (SMT) related operations and maintenance expenses as a result of complying with Docket No. 47364 and 16 TAC § 25.130(d), (g), and (j).

250. CenterPoint Houston's SMT regulatory asset totaling $6.9 million is just and reasonable and consistent with Commission precedent and regulations, it is appropriate that CenterPoint Houston include this regulatory asset in rate base, and it is reasonable and appropriate that CenterPoint Houston recover the asset over three years.

251. It is just and reasonable for CenterPoint Houston to continue to defer SMT costs as a regulatory asset until rates from this docket are implemented and to address this balance in its next base rate proceeding.

REP Bad Debt

252. Bad debt associated with the inability of REPs to recover payments that resulted in a default on payments to CenterPoint Houston resulted in a REP bad debt regulatory asset.

253. CenterPoint Houston's bad debt regulatory asset of $1.6 million is consistent with 16 TAC § 25.107(f)(3)(B), it is appropriate that CenterPoint Houston include this regulatory asset in rate base, and it is reasonable and appropriate that CenterPoint Houston recover the asset over three years.

254. The REP bad debt regulatory asset is consistent with Commission precedent in *Application of Oncor Electric Delivery Company, LLC for Authority to Change Rates*, Docket No. 46957 and Commission regulations and is properly included in rate base.

Other Regulatory Assets and Liabilities

PURA § 36.065 Pension and OPEB Regulatory Liability (Issue No. 34)

255. CenterPoint Houston's regulatory liability for Pension and Other Postemployment Benefits (OPEB) is consistent with PURA § 36.065(b) and Docket No. 38339.

256. Pension includes qualified and non-qualified pension, or retirement, plans (ASC 715). OPEB includes postretirement (ASC 715) and postemployment, or LTD (ASC 712) plans.

257. CenterPoint Houston's $60.6 million Pension and OPEB regulatory liability was properly determined in accordance with actuarial studies and recorded in the reserve account, the expenses in the reserve account are just and reasonable and are recoverable.

258. CenterPoint Houston's PURA §36.065(b) reserve account properly includes pension and OPEB expenses assigned to CenterPoint Houston from Service Company.

259. CenterPoint Houston's proposal to amortize the regulatory liability over three years is just and reasonable and results in an adjustment to decrease amortization expense by $20.2 million per year.

Hurricane Ike Regulatory Liability

260. CenterPoint Houston has established that the Hurricane Ike Regulatory Liability balance of $4.0 million is just and reasonable and it is just and reasonable to amortize this amount over a three-year period.

261. It is just and reasonable for CenterPoint Houston to continue to add carrying charges on the Hurricane Ike regulatory liability in Finding of Fact 260 until rates from this docket are implemented and to address this balance in its next base rate proceeding.

Expedited Switching Costs Regulatory Asset

262. CenterPoint Houston's request to include an Expedited Switching Costs regulatory asset of $1.2 million is consistent with Commission precedent and regulations, it is appropriate to include in rate base, is just and reasonable and it is just and reasonable to amortize the amount over a three-year period.

Other Rate Base Items

263. CenterPoint Houston proposed no post-test year adjustment to its requested rate base.

Construction Work in Progress (Issue No. 14)

264. CenterPoint Houston properly excluded CWIP from rate base.

Provisions Property Reserve

265. CenterPoint Houston's request to include the property reserve deficit balance of $5.8 million in rate base was not challenged and is just and reasonable.

Provisions Injuries and Damages Reserve

266. CenterPoint Houston's request to include injuries and damages reserves of ($12.8) million in rate base was not challenged and is just and reasonable.

Provisions Benefit Restoration Plan

267. CenterPoint Houston's request to include its Benefits Restoration Plan balance of ($6.9) million in rate base was not challenged and is just and reasonable.

Materials and Supplies (M&S)

268. The Company has included in rate base an M&S balance of $109.7 million for the adjusted test year, which is based upon a thirteen-month average, and is just and reasonable.

Customer Deposits

269. Adjusted test year-end customer deposit balances included in rate base is ($417,000) and is just and reasonable.

Deferred Accounting Treatment for Interest Rate Hedging

270. It is just and reasonable for CenterPoint Houston to defer as a regulatory asset or liability the ineffective component of interest rate hedging that may occur in the future for inclusion as a cost of debt in calculating the WACC.

271. It is just and reasonable for CenterPoint Houston to defer as a regulatory asset or liability the effective component of interest rate hedging as shown in the rate filing package and that may occur in the future for inclusion as a cost of debt in calculating the WACC.

Rate of Return (Issue Nos. 4, 5, 6, 7, 8 & 9)

272. The appropriate capital structure for CenterPoint Houston is 50% long-term debt and 50% common equity.

273. A capital structure composed of 50% debt and 50% common equity is reasonable in light of CenterPoint Houston's business and regulatory risks.

274. A capital structure composed of 50% debt and 50% equity will help CenterPoint Houston attract capital from investors.

275. A return on common equity (ROE) of 10.40% will allow CenterPoint Houston a reasonable opportunity to earn a reasonable return on its invested capital.

276. CenterPoint Houston's energy conservation efforts and achievements, the quality and reliability of its services, the efficiency of its operations, and the quality of its management support a 10.40% ROE.

277. The results of a discounted cash flow model, capital asset pricing model, and risk premium approach support a ROE for CenterPoint Houston of 10.40%.

278. A 10.40% ROE is consistent with CenterPoint Houston's business and regulatory risk.

279. CenterPoint Houston's imbedded cost of long-term debt is 4.38%.

280. CenterPoint Houston's accounting treatment under GAAP and FERC for an effective interest rate hedge is to defer the gains/losses and amortize the gains/losses through interest expense over the life of the corresponding debt. The Company is requesting to include the interest rate hedge in the weighted cost of capital.

281. It is appropriate to include the interest rate hedge issuance cost in the cost of debt calculation.

282. An ROE of 10.40% will allow CenterPoint Houston a reasonable opportunity to earn a reasonable return on its invested capital.

283. CenterPoint Houston's overall rate of return is as follows:

Component	**Capital Structure**	**Cost of Capital**	**Weighted Avg Cost of Capital**	**PreTax Weighted Avg. Cost of Capital**
Long-Term Debt	50.00%	4.38%	2.19%	2.19%
Common Equity	50.00%	10.40%	5.20%	6.58%
Total	100.00%		7.39%	8.77%

Financial Integrity (Issue No. 9)

284. CenterPoint Houston observes all legal formalities and maintains separation from CNP and other affiliates.

285. CenterPoint Houston currently has ring-fencing protections in place that are similar to most other U.S. rate-regulated electric and gas utilities.

286. Moody's Investor Service (Moody's) and Fitch Ratings (Fitch) award CenterPoint Houston a separate credit rating from that of its parent and these rating agencies have CenterPoint Houston rated at two notches above that of CNP.

287. Moody's and Fitch ratings reflect CenterPoint Houston's viability on its own and its insulation from CNP and other CenterPoint Houston affiliates.

288. During the market disruptions of 2008 and 2009, CNP and CenterPoint Houston maintained prudent practices.

289. There is no evidence in the record that CNP or CenterPoint Houston would alter any of the formalities or existing ring-fencing protections in the future.

290. There is no evidence in the record indicating that CNP is at risk of bankruptcy or that activities at CNP result in higher costs of capital for CenterPoint Houston.

291. CNP enjoys investment grade credit ratings from all of the ratings agencies.

292. CNP's acquisition of Vectren was not a leveraged transaction.

293. CenterPoint Houston has adequate protections in place that secure its financial integrity and its ability to provide reliable service at just and reasonable rates and it is not just and reasonable to impose additional ring-fencing.

Overall O&M and A&G Costs (Issue Nos. 4, 5, 21, 22, 25, 26, 28, 29, 33, 35, 38, 39, 54, 55)

294. CenterPoint Houston's adjusted test year operations and maintenance and administrative and general costs total $921.855 million and $242.848 million respectively.

295. CenterPoint Houston's High Voltage Operations Division constructs, operates, and maintains the Company's transmission, substation and major underground facilities.

296. CenterPoint Houston's High Voltage Operations' just and reasonable O&M expense in FERC Accounts 560 through 573 total $58.7 million.

297. CenterPoint Houston's Distribution Operations Division maintains and operates a distribution system that encompasses 5,000 square miles, and safely and reliably serves over 2.5 million end-use retail electric customers.

298. CenterPoint Houston's Distribution Operations' just and reasonable O&M expenses in FERC Accounts 580 through 598 total $206.7 million.

299. No party contested the reasonableness and necessity of the activities of the High Voltage Operations Division or the Distribution Operations Division, and CenterPoint Houston established that those activities were reasonable and necessary to provide reliable service.

Labor Expenses

300. CNP, CenterPoint Houston's parent company, competes on a national level for executive, managerial, and professional positions.

301. CNP competes on a regional level for hourly or non-exempt positions.

302. The national unemployment rate has decreased in the period from 2013 through 2018 from 8% to 3.9%, and the unemployment rate in Texas declined from 6.5% to 3.7% during the same period.

303. Data from the United States Bureau of Labor Statistics confirmed that the Houston labor market remains more competitive than the United States as a whole and the pool of potential qualified candidates is smaller than in other regions of the country.

304. The Houston-area economy and competition in the local market has impacted CenterPoint Houston's labor costs.

305. CNP is in direct competition with other Houston-based companies that offer a higher level of compensation and benefits, including upstream and midstream energy companies.

306. Approximately 29% of CNP employees were eligible to retire in 2018 and 38% will be eligible to retire by 2022.

307. There is a growing industry shortage of electric utility line workers due to the aging workforce and increased utility work in Texas, and CenterPoint Houston has experienced a loss of approximately 100-line skills workers during the first half of 2019.

308. There has been an average increase in compensation paid to the transportation and utility trade of 2.6% per year between 2010 and 2018.

309. CNP targets the median or 50th percentile of the market when determining the value of compensation offered.

310. CNP measures the competitiveness of its compensation plans and levels from a "total compensation" perspective combining base pay, Short-Term Incentive (STI), and Long-Term Incentive (LTI).

311. CNP engaged an independent compensation consultant to advise CNP on incentive compensation practices for executives.

312. House Bill (HB) 1767 was passed by the Texas Legislature and signed by the Governor in June 2019 and contains a presumption of reasonableness and necessity for base salaries, wages, incentive compensation and benefits for gas utilities as long as those costs are consistent with recently issued market compensation studies.

313. CenterPoint Houston operates both gas and electric divisions in the state of Texas.

314. HB 1767 is applicable to gas utilities, and it is good regulatory policy to treat gas and electric utilities similarly when establishing rates to avoid providing an undue advantage or benefit to one utility over another.

315. Electric cooperatives, municipally and federally owned utilities are not peers of CNP or CenterPoint Houston and they do not provide service to the Houston area.

316. CenterPoint Houston has consistently paid incentive compensation over the last ten years.

317. CenterPoint Houston employees are aware of the need to control expenses, interact effectively with customers, manage vendors to control costs, and ensure customer satisfaction.

Short-Term Incentive Compensation

318. CenterPoint Houston's cost of service request includes $16.885 million of STI expenses for union and non-union employees, and the request for direct and affiliate STI is based upon the four-year average achievement level applied to the requested wage amounts.

319. In Docket No. 38339, the Commission approved recovery of all STI costs and found that STI was a reasonable and necessary component of a total compensation package required to recruit, retain, and motivate employees.[7]

320. The overall STI plan purposes have not changed since Docket No. 38339.

321. The 2018 STI Plan goals are consistent with goals used by most of CNP's peer utilities.

322. The STI goals are directly tied to metrics such as controlling expenditures, customer satisfaction and safety.

323. Expenses related to STI are similar to CenterPoint Houston's ongoing reasonable and necessary capital and other operations and maintenance expenses that benefit customers and shareholders alike.

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[7] Docket No. 38339, Order on Rehearing, Finding of Fact No. 81.

324. An employee wage rate or benefit that is the product of collective bargaining is presumed to be reasonable under PURA § 14.006.

325. The evidence established that CenterPoint Houston's STI is a reasonable and necessary component of a total compensation package required to recruit, retain, and motivate employees.

Long-Term Incentive Compensation

326. CenterPoint Houston offers two forms of LTI and these are performance shares based on achievement of financial goals that comprise 70% of LTI and restricted stock units (RSUs) that are not tied to financial goals and comprise 30% of LTI.

327. The market requires that a significant portion of the total compensation for senior executives and management is at risk pay.

328. An LTI-eligible employee must remain with CNP during a three-year period to be eligible to receive RSUs, which act as a retention tool.

329. CenterPoint Houston's requested LTI expenses related to RSUs total $3.8 million.

330. The request for LTI expenses related to RSUs is consistent with Commission precedent in Docket No. 46449.[8]

331. The evidence established that CenterPoint Houston's LTI expenses related to the award of RSUs is a reasonable and necessary component of a total compensation package required to retain employees.

332. CenterPoint Houston's requested LTI expense related to performance shares total $7.5 million.

333. LTI performance shares are intended to focus employee attention to ensure sustained improvements in performance over long periods of time, motivate employees to effectively manage operations and retain employees.

334. The evidence established that CenterPoint Houston's LTI expenses related to the award of performance shares is a reasonable and necessary component of a total compensation package required to attract, motivate and retain employees.

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[8] *Application of Southwestern Electric Power Company for Authority to Change Rates,* Docket No. 46449, Order at Finding of Fact 199 (Jan. 11, 2018).

Payroll Adjustments

335. Several competitive pay adjustments were made after the test-year: Competitive pay adjustments were made in March or April 2019 and the International Brotherhood of Electrical Workers (IBEW) Local 66, Office & Professional Employees International Union Local No. 12 AFL-CIO (Metro) and the Office & Professional Employees International Union Local No. 12 AFL-CIO representing Mankato (Mankato) union contracts require a 3% increase in wages in 2019.

336. CenterPoint Houston made five adjustments to test-year direct labor expense. These adjustments were to: (1) annualize calendar year-end salaries; (2) include a 3% increase for the competitive pay adjustment (CPA) that were effective in March or April 2019 for non-union employees and a CPA for union employees; (3) adjust for union step increases as outlined in union contracts; (4) adjust for direct STI using the adjusted base salary multiplied by the STI percentage per position, which was then multiplied by the average achievement of 122% for the last four years; and (5) further adjust the union STI percentage based on the three-year average goal achievement level.

337. PURA § 14.006 contains language that states, "[t]he commission may not interfere with employee wages and benefits, working conditions, or other terms or conditions of employment that are the product of a collective bargaining agreement recognized under federal law. An employee wage rate or benefit that is the product of the collective bargaining is presumed to be reasonable."

338. Payroll adjustments for direct and affiliate employees include amounts for union employees and it is not reasonable to exclude wage adjustments from the Company's requested labor expense, including adjustments for union employees that are contained in union contracts.

339. It is reasonable to adjust test-year salaries by annualizing payroll for December 2018 as it is the last month of the test year and accurately reflects ongoing salary expenses.

340. A known and measurable change was made to salaries after the test year; test-year salaries were increased by 3% following the test year for all business units and it is reasonable to adjust test-year salary expense to reflect that increase.

341. A known and measurable change was made to union salaries after the test year for step movement within the Apprentice Training Program as described in the IBEW Local 66 union contract and it is reasonable to adjust test-year salary expense to reflect this increase.

342. It is reasonable to adjust payroll taxes to reflect the known and measurable adjustments made to labor expenses by CenterPoint Houston.

343. It is not reasonable to adjust payroll expenses to reflect staffing changes after CNP acquired Vectren because other Vectren-related changes in the cost of service after the end of the test year are not being made, including increasing the cost of service to account for increased spending that occurred after the acquisition.

344. Executive pay is based on a peer group analysis of CNP's compensation consultant, which shows that the executive pay included in the Company's rate request is reasonable and necessary.

Benefits Costs (Issue No. 34)

345. The amount of pension and OPEB expenses CenterPoint Houston requested is consistent with PURA § 36.065(a), was determined by actuarial and other similar studies in accordance with GAAP under ASC 715, and is reasonable and necessary.

346. For calculating the annual base amount of pension and OPEB approved as operating expense in this rate proceeding, for purposes of PURA §3 6.065(b) and for use in the next CenterPoint Houston rate proceeding, the annual amount of pension and OPEB approved as expense is $25,629,455 for pension and $2,671,274 for OPEB expense. The combined total of $28,300,729 is comprised of the amount for CenterPoint Houston of $19,931,301 and Service Company of $8,369,428.

347. Employee benefit expenses include the cost for the retirement plan (or pension), post-retirement and post-employment benefits (LTD), employee health and welfare plan, savings plan and other benefit program costs recorded to FERC Account 9260 and shown on Schedule II-D-2.

348. The only benefits cost that was challenged is for the Benefit Restoration Plan (BRP), which is a non-qualified plan for retirement (or pension) for certain employees whose retirement benefits under the traditional plan have been negatively impacted by reaching certain limits contained in the Internal Revenue Code.

349. CNP must offer the BRP benefit to eligible employees as part of their total compensation package in order to retain those employees.

350. It is just and reasonable for the Company to recover its requested benefits costs, including BRP costs.

Depreciation Expenses (Issue No. 25)

351. The effect of applying the recommended depreciation rates to the December 31, 2018 depreciable plant balances is an annualized depreciation expense of approximately $378 million, which represents an overall increase of approximately $2.5 million compared

to the Company's annualized depreciation and amortization expense at prior depreciation rates.

352. P.U.C. SUBST. R. 25.231(c)(2)(ii) provides that the reserve for depreciation is the accumulation of recognized allocations of original cost, representing the recovery of initial investment over the estimated useful life of the asset.

353. The use of the remaining-life depreciation method to recover differences between theoretical and actual depreciation reserves is the most appropriate method and should be continued.

354. It is reasonable for CenterPoint Houston to calculate depreciation-reserve allocations on a straight-line basis over the remaining, expected useful life of the item or facility.

355. The reserve reallocation and resulting service lives and net salvage rates proposed by CenterPoint Houston are reasonable, and the Commission should use these service lives and net salvage rates in calculating depreciation rates for CenterPoint Houston's transmission, distribution, and general plant assets.

356. No party challenged the Company's proposed net salvage rates.

357. The appropriate service life for CenterPoint Houston's transmission station equipment (FERC account 353) is 53 years with a dispersion curve of R0.5.

358. The appropriate service life for CenterPoint Houston's transmission towers and fixtures (FERC account 354) is 59 years with a dispersion curve of R2.5.

359. The appropriate service life for CenterPoint Houston's distribution station equipment (FERC account 362) is 48 years with a dispersion curve of R1.

360. The appropriate service life for CenterPoint Houston's distribution poles, towers, and fixtures (FERC account 364) is 35 years with a dispersion curve of R0.5.

361. The appropriate service life for CenterPoint Houston's distribution overhead conductors and devices (FERC account 365) is 38 years with a dispersion curve of R0.5.

362. The appropriate service life for CenterPoint Houston's distribution underground conduit (FERC account 366) is 62 years with a dispersion curve of R2.5.

363. The appropriate service life for CenterPoint Houston's distribution underground conductor and devices (FERC account 367) is 38 years with a dispersion curve of R0.5.

364. The appropriate service life for CenterPoint Houston's distribution line transformers (FERC account 368) is 28 years with a dispersion curve of R1.

365. The appropriate service life for CenterPoint Houston's general plant structures and improvements station equipment (FERC account 390) is 50 years with a dispersion curve of R4.

366. The depreciation rates for CenterPoint Houston filed with the application as Appendix A Exhibit DAW-1, are just and reasonable.

367. The removal and installation percentages for CenterPoint Houston, included as a workpaper in the application as Cost of Removal Report 3-6-19, are just and reasonable.

Affiliate Expenses (Issue Nos. 35 & 36)

368. PURA § 36.058 allows a utility to recover costs paid by a utility to an affiliate entity if it demonstrates that its payments are reasonable and necessary for each item or class of items as determined by the Commission and if the price charged by the affiliate to the utility is no higher than the price charged by the affiliate to other purchasers.

369. CenterPoint Houston's affiliated entities, specifically Service Company, and the natural gas distribution operations (gas operations) of CenterPoint Energy Resources Corp. (CERC), provided services to CenterPoint Houston during the test year.

370. Service Company and CERC are subsidiaries of CNP and affiliates of CenterPoint Houston.

371. Service Company provides corporate services to CenterPoint Houston including business and operations support, technology operations, and regulated operations management.

372. CERC provided operational support in the form of periodic IDR meter reading, GIS and CAD services, fleet services, broadband services, Damage Prevention Compliance reporting, and line locating, gas operations provide underground line locating services to CenterPoint Houston.

373. Each of these classes of services is prudent, necessary, reasonable, and not duplicative of services otherwise provided by CenterPoint Houston. If it were not affiliated with Service Company, CenterPoint Houston would have to incur similar types of costs, which would be equal to or greater than those charged by the affiliates.

374. CenterPoint Houston does not share with its competitive affiliates those services prohibited by the Commission's rules, such as engineering, purchasing of electric transmission facilities and service, T&D system operations, and marketing, unless Service Company provides such services exclusively to affiliated regulated utilities and only for the provision of regulated utility services.

375. CenterPoint Houston and its affiliates follow a number of processes to ensure that affiliate charges are reasonable and necessary, and that CenterPoint Houston and its affiliates are charged the same rate for similar services. These processes include (1) the use of service-level agreements to define the level of service required and the cost of those services, (2) direct billing of affiliate expenses where possible, (3) reasonable allocation methodologies for costs that cannot be directly billed, (4) budgeting processes and controls to provide budgeted costs that are reasonable and necessary to ensure appropriate levels of service to its customers, (5) financial system controls to ensure that billings are accurate and timely, (6) accounting controls, (7) oversight controls such as the Commitment Review Team, the Risk Oversight Committee, and the Executive Committee that provide control over business unit and Service Company expenditures and activities, and (8) labor-cost controls that evaluate and price each job.

376. The evidence establishes that the four main categories of allocation factors used by Service Company—composite ratio, assets, operating expense, and headcount—are reasonable.

377. The Company's assignment methodologies are appropriate to further ensure that its affiliate charges are reasonable and necessary. These assignment methodologies are described in the following publications: *CenterPoint Corporate Cost Center Assignment Manual* (2018), *Technology Operations Cost Center Assignment Manual* (2018), *Business Operations Support Cost Center Assignment Manual* (2018), *Regulated Operations Cost Center Assignment Manual* (2018), *Houston Electric Cost Center Assignment Manual* (2018), and *CERC Cost Center Assignment Manual* (2018) (collectively, the manuals). These manuals provide appropriate and reasonable methodologies for assigning affiliate costs, including the composite ratio that considers assets, gross margin, and head count in the allocation of those costs.

378. Total net affiliate billings to CenterPoint Houston, as adjusted, are $293.4 million.

379. CenterPoint Houston demonstrated the reasonableness and necessity of each affiliate item or class of items.

380. CenterPoint Houston demonstrated that the price of affiliate services to the electric utility was not higher than the prices charged by the supplying affiliate to its other affiliates or divisions or to a nonaffiliated person within the same market area or having the same market conditions.

381. There is no preferential treatment among, or cross subsidization of, affiliates by Service Company.

382. Service Company has complied with Commission rules requiring that affiliate costs be fully allocated. These costs are fully assigned, and otherwise comport with the applicable requirements of 16 TAC § 25.272 and PURA § 36.058.

383. CenterPoint Houston provides affiliate services to Service Company, CNP, and CERC subsidiaries.

384. CenterPoint Houston's services to its affiliates include Land & Field services, GIS Data Management and Administration and Fleet, Shop Services and Ratio Communications.

385. CenterPoint Houston's capital payments to Services Company was included as part of the cost allocation amounts assigned to the finance, technology operation, and business operation services class total.

386. It is just and reasonable that CenterPoint Houston's capital payment to Services Company not be reflected on Schedule V-K-7.

387. Services provided by CenterPoint Houston to its affiliates and by Service Company and other affiliates are billed at cost.

388. During a portion of the test year, several Services Company employees worked on the Vectren acquisition, instead of working on normal daily activities for CenterPoint Houston.

389. An adjustment totaling $1.6 million was made to accurately capture ongoing Services Company employee labor expenses that would have been billed to CenterPoint Houston during the integration planning for the Vectren acquisition.

390. It is just and reasonable to make an adjustment to test-year Service Company employee labor expenses billed to CenterPoint Houston during the integration planning for the acquisition of Vectren to capture the normal level of billing to CenterPoint Houston by Service Company.

391. CenterPoint Houston billed its affiliates $29.5 million for the test year and such costs were credited against the Company's cost of service.

392. Each item or class of items included within CenterPoint Houston's requested net affiliate related costs for the test year are reasonable and necessary and satisfy the standards set forth in PURA § 36.058.

393. CenterPoint Houston established that costs incurred by Service Company for assets were prudently incurred.

Injuries and Damages

394. CenterPoint Houston's requested amount for injuries and damages totaling $20.528 million is based upon an actuarial report that determines the level of expense that is likely to occur in 2019 and is lower than the recorded test-year amounts.

395. CenterPoint Houston's request for injuries and damages expense is just and reasonable.

Self-Insurance Reserve (Issue Nos. 16 & 33)

396. The test year ending balance of the self-insurance reserve is a deficit of ($5.8) million.

397. The self-insurance account balance at the end of the test-year is a shortage of $19.2 million below the target reserve balance approved in Docket No. 38339.

398. CenterPoint Houston's self-insurance plan for its transmission and distribution property has been demonstrated by a qualified independent insurance consultant to be a lower cost alternative than obtaining insurance from a third-party provider and ratepayers will receive the benefits of the self-insurance plan and therefore CenterPoint Houston's self-insurance plan is in the public interest.

399. The self-insurance reserve provides accruals to be credited to a reserve account to cover occurrences that result in losses of more than $100,000 which are charged to the reserve.

400. CenterPoint Houston's self-insurance plan was approved by the Commission in Docket No. 38339 with a target reserve amount of $13.38 million.[9]

401. The accrual amounts proposed by CenterPoint Houston were prepared in accordance with Generally Accepted Actuarial Procedures adjusted to reflect ratemaking for public utilities.

402. CenterPoint Houston's proposed annual self-insurance accrual of $7.685 million and a proper self-insurance reserve target balance of $6.55 million are just and reasonable.

403. An amortization period of three years for CenterPoint Houston to recover the difference between the test year ending self-insurance reserve deficit balance and the target reserve balance is just and reasonable.

Vegetation Management

404. Vegetation management includes the costs of hazard tree removal, reactive tree trimming, and proactive tree trimming.

405. Vegetation management includes proactive tree trimming to mitigate the impact of weather-related events and prevent damage to facilities from trees destroyed during weather-related events.

406. CenterPoint Houston experienced a 50% increase in contractor bid prices on a per mile basis from 2014 to 2017, the miles of overhead distribution lines has increased by an

[9] Docket No. 38339, Order on Rehearing at Finding of Fact 91.

average of 171 miles per year, expenses for reactive tree trimming to address customer outages by spot tree trimming has increased, and vegetation growth has also increased.

407. Expenses associated with CenterPoint Houston's vegetation management activities continue to rise.

408. CenterPoint Houston operations and maintenance expense included in the cost of service calculation for vegetation management was $35.022 million.

409. CenterPoint Houston's 2019 budgeted amount for vegetation management expense is $34.23 million.

410. CenterPoint Houston's 2019 projected amount for vegetation management expense is $34.033 million.

411. Vegetation management is a necessary and prudent practice to ensure reliability of service and mitigate the impact of weather-related events on facilities and the test-year amount of $35.022 million included in CenterPoint Houston's cost of service calculation is just and reasonable.

Smart Meter Texas Expense

412. Smart Meter Texas (SMT) is an ERCOT-wide website that provides end-use customers and other authorized parties access to smart meter data.

413. CenterPoint Houston's O&M expense of $3.565 million associated with SMT included in its cost of service is just and reasonable.

Streetlighting Service

414. During the test year CenterPoint Houston incurred approximately $7.6 million in O&M costs for streetlighting, and a portion of that expense was associated with LED lighting and it is just and reasonable that CenterPoint Houston be allowed to include these expenses in its cost of service calculation.

415. There has been no challenge made to the overall expenses related to CenterPoint Houston's street lighting expenditures.

416. LED lighting costs at the time of installation are capitalized and once the lighting is installed various O&M costs are incurred including the following: fuse replacements, maintaining the post, conduit, replacement, and clamp/connector replacement.

417. CenterPoint Houston does not track O&M expenses by lamp type and in order to identify expenses related to various types of streetlighting, including expenses associated with LED lighting, CenterPoint Houston prepared a study.

418. The study to identify expenses related to various types of streetlighting is consistent with studies used by CenterPoint Houston in prior proceedings and is a reasonable method to assign cost to the various luminaire types because the study evaluates the price CenterPoint Houston pays for replacements weighted by the expected life of each type of material associated with the luminaire.

419. Based upon the allocation factor developed for each luminaire type, CenterPoint Houston assigned $2.3 million of its approximately $7.6 million in total O&M costs associated with street lighting to LED streetlights.

420. CenterPoint Houston's calculation of O&M expenses associated with LED streetlights of $2.3 million is reasonable and consistent with Commission precedent, and it is reasonable the CenterPoint Houston include those costs in its cost of service.

421. CenterPoint Houston's approximately $7.6 million in total O&M costs associated with streetlighting services is reasonable.

Loss on Sale of Land

422. CenterPoint Houston sold several tracts of land during the test year that included fourteen tracts of land associated with the Brazos Valley Connection Project.

423. When the land for CenterPoint Houston's Brazos Valley Connection Project was acquired, entire lots had to be purchased (not just acreage for the proposed right-of-way easement) and upon completion CenterPoint Houston sold off the excess areas of fee-purchased land that was no longer suitable for the utility to own.

424. The partial lots of land acquired by CenterPoint Houston for the Brazos Valley Connection Project could only be assessed the value of the land as all improvements were removed to allow construction of that project.

425. CenterPoint Houston experienced a loss of $1.46 million on the tracts of land sold from the Brazos Valley Connection Project.

426. No evidence was presented and there is no evidence in the record that any aspect of the construction of CenterPoint Houston's Brazos Valley Connection Project was not prudent, that the purchase of the land was not prudent, or that the sale of the land was not prudent.

427. In Docket No. 38339, the Commission determined that CenterPoint Houston's customers should share on any gains or loss resulting from the sale of land.[10]

[10] Docket No. 38339, Order on Rehearing at Finding of Fact 137.

428. Consistent with the finding in Docket No. 38339, CenterPoint Houston apportioned a 50% share of the Company's loss to customers and included that loss of $732,000 in the calculation of the cost of service.

429. CenterPoint Houston's treatment of the loss of the sale of land is just and reasonable and consistent with Commission precedent.

Federal Income Taxes (Issue Nos. 28 & 29)

430. CenterPoint Houston's calculation of federal income tax (FIT) expense of $75.795 million is just and reasonable and ensures that the FIT expense requested by CenterPoint Houston is based on test-year revenues and expense adjusted for known and measurable changes without any addition or reduction resulting from revenue or expense not included in the Company's request.

431. CenterPoint Houston established that customers have received and will continue to receive all appropriate benefits of the TCJA.

432. CenterPoint Houston complied with the Commission's amended order in Docket No. 47945 and has addressed the impact of TCJA on rates.

433. CenterPoint Houston has returned excess revenues collected due to the reduction in the corporate federal income tax rate from 35% to 21% through its 2018 DCRF and TCOS filings.

434. CenterPoint Houston properly re-measured ADFIT to account for the estimated tax owned at the TCJA's rate of 21% rather than 35%.

435. CenterPoint Houston's proposal to return the protected EDIT balance no faster than ARAM through rates and the unprotected EDIT balance through Rider UEDIT is just and reasonable.

436. The requirements of PURA § 36.059 regarding the treatment of certain tax benefits have been appropriately considered.

Taxes, Other than FIT (Issue No. 26)

437. CenterPoint Houston's property tax payments in the test year totaling approximately $88.6 million are reasonable and necessary expenses.

438. CenterPoint Houston's expected $94.4 million in property taxes based on 2018 taxes assessed plus taxes on capital additions placed in service in 2018 are reasonable and necessary expenses.

439. CenterPoint Houston's Texas Margin Tax expense totaling $20.027 million is reasonable and necessary.

440. CenterPoint Houston's payroll-related taxes in the amount of $11.605 million are reasonable and necessary expenses.

Municipal Franchise Fees (Issue No. 27)

441. CenterPoint Houston's test-year municipal franchise fees of $153.245 million are reasonable and necessary expenses.

Wholesale Transmission Cost of Service (Issue Nos. 4, 5, 6 & 37)

442. CenterPoint Houston's wholesale transmission rate is calculated by dividing the Commission-approved wholesale TCOS by the average of the ERCOT 4CP.

443. CenterPoint Houston's wholesale transmission rate is calculated in accordance with 16 TAC § 25.192(b)(1).

444. CenterPoint Houston has included revenues received for expenses attributable to transmission service to export power from ERCOT.

445. CenterPoint Houston's wholesale TCOS is calculated at $394 million which results in a transmission service annual rate of $5.684962 per kW.

Adjustments Related to Advertising, Contributions, and Donations (Issue No. 31)

446. Test year amounts were adjusted to remove items that are not allowed to be included in the cost of service by statute or Commission rules.

447. CenterPoint Houston's cost of service includes advertising and contributions expense of $4.539 and $1.049 million respectively. These amounts are reasonable and necessary.

448. CenterPoint Houston established that costs related to charitable contributions and donations, dues and certain advertising expense do not exceed the thresholds established by 16 TAC § 25.231(b)(1)(E).

Billing Determinants (Issue Nos. 4, 5 & 45)

449. Test-year billing determinants were adjusted for known and measurable changes related to the total number of customers, weather, and the test-year impact of CenterPoint Houston's mandated energy efficiency programs.

Weather Normalization

450. CenterPoint Houston provided a weather normalization adjustment that relied on a 20-year period and detailed model based on data obtained from CenterPoint Houston's fully deployed Advanced Metering System (AMS) that provided actual customer demand data for every 15-minute interval of every month.

451. The use of four years of AMS data provided a large source of modeling data totaling 1,400 data point.

452. In developing its weather normalization model CenterPoint Houston properly treated the definition of normal weather and the estimation of the effects of abnormal weather on test-year energy usage as independent steps.

453. The use of more recent data accurately reflects changes in usage such as improved energy efficiency.

454. In Docket No. 38339, CenterPoint Houston's most recent rate case, the Commission used a 30-year period to determine normal weather.

455. Surveys conducted of the electric industry confirm that the industry has migrated away from a 30-year period and 10-year period as a basis for weather normalization adjustments and a 20-year period is the dominant practice used for electric utility forecasting.

456. The evidence in this case established that a 10-year period provides a less stable measure for CenterPoint Houston and normal values can change significantly from year to year when the 10-year window is rolled forward.

457. The evidence in this proceeding established that a 20-year weather normalization adjustment supports a more stable forecast for CenterPoint Houston.

458. CenterPoint Houston's use of a 20-year period to define normal weather is just and reasonable.

459. CenterPoint Houston's use of four years of AMS data to estimate the effects of abnormal weather on test-year energy usage was reasonable.

460. The use of more recent data (including test year data) to estimate the effects of abnormal weather on test-year data was reasonable, because the most recent data more accurately reflects changes in usage such as improved energy efficiency.

461. CenterPoint Houston's weather normalization method and results were reasonable.

Energy Efficiency Program

462. Energy efficiency programs reduce energy usage and decrease billing determinants.

463. Unadjusted test-year data only captures a portion of the energy efficiency impacts attributable to measures that were installed during the test-year.

464. Because programs installed during the test year were only in place for a portion of the year, an annualization adjustment to the Company's test-year billing determinants is necessary to capture a full year of the usage impacts associated with energy efficiency programs installed during the test year.

465. CenterPoint Houston's Energy Efficiency Program (EEP) Adjustment is a known and measurable change based on energy efficiency programs that are currently in effect, and it is necessary to ensure that the test year used is representative of conditions that are expected to exist once new rates go into effect.

466. Lost revenue adjustment mechanisms (LRAM) are forward-looking mechanisms used to recover incremental revenues lost between rate cases.

467. CenterPoint Houston's EEP adjustment is not a LRAM because it adjusts test-year billing determinants based entirely on historical data adjusted for changes that were known and measurable at the end of the Test Year in order to present a representative Test Year.

Functionalization and Class Allocation (Issues Nos. 4, 5, 43, 44, 46 & 56)

468. CenterPoint Houston allocated the revenue requirement by functions and rate classes based upon a class cost of service study.

469. The class cost of service study used by CenterPoint Houston is consistent with the NARUC cost allocation manual, CenterPoint Houston's past practices, Commission precedent, and principles of cost causation.

470. CenterPoint Houston directly assigned costs to the extent possible and CenterPoint Houston allocated other costs that involved more than one customer class consistent with cost-causation principles based upon whether the costs were customer-related, demand-related, energy-related, revenue-related, or a combination thereof.

Functionalization

471. It is reasonable to functionalize the TMT (and associated accounts) included in FERC accounts 182.3, 407.3, and 408.1 in proportion to base revenue.

472. It is appropriate to uplift the TMT expense associated with ERCOT wholesale transmission payments in FERC 565 to retail customers and that base revenues be adjusted accordingly.

473. It is reasonable to functionalize expenses related to support services included in FERC account 930.2, Miscellaneous General Expenses in proportion to payroll.

474. It is reasonable to functionalize personnel-related Technology Operations expenses included in FERC account 930.2, Miscellaneous General Expenses based on payroll expense.

475. It is reasonable to functionalize customer-related Technology Operations expenses included in FERC account 930.2, Miscellaneous General Expenses, based on total O&M expense.

476. It is reasonable the functionalize FERC accounts 5860, Meter Expenses, and 5970, Maintenance of Meters, to the meter function when determining the payroll allocator.

477. CenterPoint Houston's proposed functionalization of the Hurricane Harvey Regulatory Asset and amortization expense between transmission and distribution is reasonable.

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

479. Power Delivery Solutions Organization includes the Power Quality Solutions Department, the Service Consultant North Department, the Service Consultants South Department and the Transmission Key Accounts Department.

480. The Transmission Key Accounts Department is comprised of three distinct groups: Transmission Accounts and Support, Key Accounts, and Street lighting Design.

481. Transmission Accounts and Support group is responsible for the interconnection of large industrial customers and generators to the transmission system, approval and payment of Transmission Cost of Service payment to other Transmission Service Providers, and coordination of regulatory filings for CenterPoint Houston transmission projects including the monthly construction reports, final cost reports, and CCN applications.

482. The Key Accounts group is responsible for maintaining relationships with major distribution customers and coordinating special service arrangements with key accounts and major customers.

483. Key Accounts consultants are assigned specific distribution customers and serve as the customers primary point of contact.

484. The Street Lighting Design group designs lighting systems for roadways, bridges, walkways, hike and bike trails, and parks at the request of municipal governments and residential and commercial customers.

485. The Street Lighting Design group interfaces regularly with distribution operations groups responsible for installation, maintenance, and repair of street lighting system.

486. CenterPoint Houston has directly assigned costs associated with each of the groups in the Transmission and Key Accounts Department.

487. Directly assigning the costs of the Transmission and Key Accounts Department as proposed by CenterPoint Houston is just and reasonable.

488. CenterPoint Houston's proposed functionalization is just and reasonable as the Company has functionalized its cost of service, rate base and taxes and other components of the revenue requirement into functions as required by RFP General Instruction No. 11 and consistent with the definitions in 16 TAC §§ 25.341 and 25.344.

489. All other functionalization is appropriate as filed.

Class Allocation

490. Utilities build infrastructure to meet peak system demand.

491. CenterPoint Houston's system was constructed to meet peak demand served by CenterPoint Houston.

492. Coincident Peak Demand is the maximum amount of electricity demanded by a customer at the time that peak demand on the electric system occurs and the use of a 4CP method coincides with the four-month time period most of the electricity is demanded such as the four summer months of June, July, August, and September.

493. The CenterPoint Houston 4CP reflects the unique peak demand of the CenterPoint Houston system.

494. It is reasonable to use the CenterPoint Houston 4CP to allocate transmission costs among the Company's customer classes because it reflects how those customers contribute to the Company's system peak demand and reflects principles of cost-causation.

495. The use of ERCOT 4CP to allocate transmission costs among CenterPoint Houston's customer classes does not reflect principles of cost causation and would shift significant costs from Transmission class customers and to residential and small commercial customers.

496. It is reasonable to allocate municipal franchise fees to the customer classes based upon in-city kWh sales and to collect the fees from all customers within each customer class.

497. In Docket No. 38339, the Commission rejected a TIEC proposal that municipal franchise fees be allocated among customer classes based not only on in-city kWh sales, but also based on the difference in per kWh franchise fee amounts among those cities.

498. CenterPoint Houston's proposed allocation of municipal franchise fees to the customer classes based upon in-city kWh sales and collection of fees from all customers within the customer class is just and reasonable, consistent with cost causation principles, and is consistent with Commission precedent.

499. CenterPoint Houston's allocation factors for the following accounts are just and reasonable, consistent with the allocation factors approved by the Commission in prior proceedings and consistent with the NARUC Cost Allocation Manual:

a. Intangible Plant FERC accounts 303.2;
b. General Plant FERC accounts 389 through 398;
c. A&G FERC accounts 920, 921, 925, 926, 930.1, 930.2, 931, and 935;
d. Other Rate Base Items in FERC accounts, 165, 182.3, 228.3 and 254; and
e. Taxes Other Than Income Taxes in FERC accounts 4081.

500. The costs in FERC accounts 906-910 will vary depending on the number of lamps a customer uses. The use of lamp-count rather than customer count accurately allocates the cost of the lighting class and adheres to cost causation principles. CenterPoint Houston's proposed allocation of FERC accounts 906-910 is just and reasonable.

501. Each of the revenue classes has been allocated revenues in line with the costs those classes generate.

502. CenterPoint Houston's proposed allocation factors follow the principles of cost causation and are just and reasonable.

Revenue Distribution and Rate Design (Issue Nos. 4, 5, 43, 44, 49 & 50)

503. The retail delivery rate classes are as follows

a. Residential Service;
b. Secondary Service Less than or Equal to 10 kVA;
c. Secondary Service Greater than 10 kVA;
d. Primary Service;
e. Transmission Service; and
f. Lighting Service.

504. CenterPoint Houston developed a rate per class by dividing the total cost of service or revenue requirement in each class by the total billing determinants for each class.

505. CenterPoint Houston's retail delivery rate classes are just and reasonable and consistent with Commission precedent.

506. Each CenterPoint Houston rate class schedule, except for Lighting Services, included a Customer Charge, Metering Charge, Distribution System Charge, and Transmission System Charge.

507. CenterPoint Houston's proposal to bill the Customer Charge and the Metering Charge on a per-meter basis, instead of the current per-customer basis, is reasonable because it assures that each customer pays its share of metering and customer service expense associated with the number of meter that customer uses.

508. CenterPoint Houston's residential customer charge and meter charge is just and reasonable and lower than the Company's existing combined residential customer charge and meter charge.

509. CenterPoint Houston's proposed combined fixed charges are lower than the combined fixed charges for other electric utilities.

510. CenterPoint Houston's proposed calculation of the Customer Charge, Metering Charge, Distribution System Charge, and Transmission System Charge is just and reasonable.

511. Transmission customers must build, own, and operate their own substation and CenterPoint Houston does not require transmission customers to fund construction of a retail customer-owned substation constructed by CenterPoint Houston.

512. Tariff Section 6.3.4.7 is not for transmission customers and is used for other non-standard types of service.

513. As part of CenterPoint Houston's Transmission Facility Extension Policy, the difference between the Actual Facilities Extension Cost and the sum of any Project Payment made by the customer will be calculated and refunded to the customer.

514. There is no evidence in the record that established that certain customer-funded facilities were subsequently used to serve other CenterPoint Houston customers.

515. Light Emitting Diode (LED) has become widely adopted. Suppliers are providing more LED lighting options, including various wattages, lumens and color temperatures.

516. CenterPoint Houston proposes to convert non-LED lamps to their LED-equivalent at no cost to the customer during the normal course of maintenance when individual lamps burn out.

517. The cost of installing the LED-equivalent standard is the same as the cost of installing the non-LED equivalent for all new installations.

518. Over the life of the asset, the cost of the LED luminaire is less than the cost of an equivalent HPS luminaire.

519. The U.S. Department of Energy's 2017 report, "Adoption of Light-Emitting Diodes in Common Lighting Applications," evidenced that HPS lamp installation for street and roadways declined from 85.9% in 2010 to 61.9% in 2016 while LED luminaire installations increased from 0.3% in 2010 to 28.3% in 2016.

520. CenterPoint Houston's proposal to amend its tariff to establish LED as the new street lighting standard lamp type for Street Lighting Services and Miscellaneous Lighting Services is reasonable.

521. CenterPoint Houston proposed to update its discretionary service charges to reflect the current cost of providing such services.

522. For each charge, CenterPoint Houston analyzed various tasks associated with providing that service and the labor required for each task. Labor expenses and associated costs related to each task were examined and CenterPoint Houston revised the discretionary costs.

523. CenterPoint Houston's proposed discretionary charges are just and reasonable.

524. CenterPoint Houston's only expenses related to service provided pursuant to CenterPoint Houston's FERC-approved tariff are those associated with exports from ERCOT based on rates approved by the Commission.

525. CenterPoint Houston has established that the rates for expert power form ERCOT are just and reasonable.

Riders (Issue Nos. 4, 5, 43, 51 & 52)

526. CenterPoint Houston requested approval of Tariffs for Retail Delivery, and associated riders, and Tariff for Wholesale Transmission Service, and associated riders.

527. CenterPoint Houston's proposed tariffs, Tariff for Retail Delivery Service and Tariff for Wholesale Transmission Service, and proposed changes to the existing tariffs are just and reasonable.

Rider CTC

528. CenterPoint Houston's request to remove Rider CTC is just and reasonable as Rider CTC is no longer applicable.

Rider SBF – System Benefit Fund

529. CenterPoint Houston's request to remove Rider SBD is just and reasonable as Rider SBF is no longer applicable.

Rider NDC – Nuclear Decommissioning Charges

530. Rider NDC was approved by the Commission in Docket No. 49082.

531. CenterPoint Houston gave at least 90 days' notice to NRG Texas LLC (NRG) as required by Rule 25.303(a)(4).

532. NRG notified CenterPoint Houston that it was electing not to request a change in this proceeding.

533. CenterPoint Houston's request to maintain Rider NDC is just and reasonable and any future changes in Rider NDC will be made in a separate proceeding.

Rider TCRF – Transmission Cost Recovery

534. CenterPoint Houston's will be required to update the TCRF to reflect any changes in wholesale transmission rates that are not reflected in the Company's base rates for Transmission Service.

535. It is reasonable for CenterPoint Houston to update the Rider TCRF allocation factors to reflect the December 31, 2018 Test Year unadjusted 4CP class allocation factors used for the allocation of transmission cost in the proposed CCOSS.

536. It is not reasonable or necessary for the Company to adjust the Rider TCRF allocation factors on a periodic basis outside of a comprehensive base rate proceeding.

537. It is reasonable and consistent with Commission precedent for CenterPoint Houston to reset the TCRF to zero subject to any pending interim TCOS cases from other Transmission Service Providers or other charge not appropriate for base rates to go into effect after the Test Year.

538. At the conclusion of this case, the Company will update the TCRF to reflect any future changes in the transmission cost that vary from those utilized to fix base rates in this proceeding as well as any temporary items such as rate case expenses and credits/surcharges associated with transmission cost of service updates.

539. CenterPoint Houston's requested Rider TCRF is just and reasonable.

Rider EECRF – Energy Efficiency Cost Recovery Factor

540. CenterPoint Houston's Rider EECRF is just and reasonable.

Rider DCRF – Distribution Cost Recovery Factor

541. CenterPoint Houston's Rider DCRF is just and reasonable.

Schedule TC

542. CenterPoint Houston's request to remove Schedule TC from the Retail Tariff is just and reasonable as the Company has no other refund obligations under this schedule.

Schedule SRC – System Restoration Charges

543. CenterPoint Houston's request to maintain Schedule SRC with no changes is just and reasonable.

Rate ESS – Electric Services Switchovers

544. CenterPoint Houston's Rate ESS is applicable to customers that meet the provisions of the rate and choose to switch to another utility for their provision of electric delivery service.

545. CenterPoint Houston's request to update the charges to reflect the current cost of providing this service is just and reasonable.

Rider CMC – Competitive Metering Credit

546. CenterPoint Houston's Rider CMC is applicable to customers that qualify and choose to have a competitive meter.

547. CenterPoint Houston's proposed Rider CMC is just and reasonable.

Rider AMS – Advanced Metering System Surcharge

548. CenterPoint Houston's AMS surcharge rider expired on February 28, 2017.

549. CenterPoint Houston has returned all outstanding AMS over-collection amounts in accordance with the Final Orders issued in Docket Nos. 47032 and 47364.

550. CenterPoint Houston's request to eliminate Rider AMS is just and reasonable.

Rider UEDIT – Unprotected Excess Deferred Income Tax (Issue No. 51)

551. CenterPoint Houston's Rider UEDIT is expected to return to customers the balance of unprotected EDIT resulting from the TCJA.

552. CenterPoint Houston's Rider UEDIT will return $119 million in net unprotected EDIT to customers over the next three years.

553. CenterPoint Houston's EDIT balance associated with Rider UEDIT may change over time.

554. A three-year refund period is consistent with the period applicable to other CenterPoint Houston regulatory assets and liabilities.

555. The three-year refund period allows CenterPoint Houston to appropriately track the balance and record an over- or under-balance of amounts collected under Rider UEDIT compared to actual net liability amounts to address this balance in the next base rate proceeding.

556. CenterPoint Houston's request for a three-year period for returning benefits to customers is just and reasonable and it is reasonable that Rider UEDIT remain in effect for three years from the original effective date or until the Commission-approved amount is refunded.

557. CenterPoint Houston was required to record the effects of TCJA in December 2017 and to revalue ADFIT associated with securitized transition bonds, related to unbundling charges, and securitized storm restoration bonds, related to system restoration costs associated with the devastation caused by Hurricane Ike.

558. The TCJA does not impact the payment obligations on the securitization bonds and does not impact transition charge riders (Rider TCs) and Rider SRC intended to service such bonds.

559. All ratepayer benefits associated with ADFIT related to CenterPoint Houston's transition bonds and system restoration bonds were considered and finally resolved in settlement agreements and Financing Orders approved by the Commission.

560. Ratepayers received over $800 million in benefits as a result of the transition bond and system restoration bond settlement agreements and Financing Orders.

561. The black-box settlement amount in Docket No. 39504 of $600 million alone is over three times the ADFIT balance of $158 million associated with the transition bonds and system restoration bonds.

562. Any re-measuring of the ADFIT benefits associated with the transition bonds and system restoration bonds could not exceed the $600 benefit provided to ratepayers in Docket No. 39504.

563. It would be unreasonable to overturn prior Commission settlements and Financing Orders related to the transition bonds and system restoration bonds.

564. CenterPoint Houston's requested Rider UEDIT is just and reasonable and the unprotected EDIT balance proposed by CenterPoint Houston is correctly calculated.

Merger Savings Rider

565. Total CNP annual savings associated with the Vectren acquisition are not yet known and the evidence established that as of the date of this proceeding such savings may only be estimated.

566. The total attribution of actual Vectren acquisition savings to CNP's various business units, including CenterPoint Houston, has not been determined and is not known and measurable.

567. CNP's costs to achieve the potential savings associated with the Vectren acquisition are not yet known and the evidence established that as of the date of this proceeding such costs may only be estimated.

568. To the extent projected savings associated with CNP's Vectren acquisition are attributed to CenterPoint Houston and considered in this proceeding, it is just and reasonable that such savings be matched with associated costs to achieve those savings.

569. The evidence in this proceeding established that if the costs to achieve the savings associated with CNP's Vectren acquisition were considered along with any estimated savings, the result for 2019 would be a surcharge to customer bills—not a refund.

570. Any applicable savings associated with the CNP's Vectren acquisition, the costs to achieve those savings, and the appropriate CenterPoint Houston attribution of each will be reflected as incurred in periods filed for CenterPoint Houston's EMR filings and in CenterPoint Houston's next base-rate filing.

Baselines for Cost-Recovery Factors (Issue Nos. 4, 5, 43 & 53)

571. The baseline amounts for the CenterPoint Houston's next TCOS filing, per the Errata-1 filing, are:

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Interim Update Wholesale Transmission Cost of Service

Line No.	Description	Total Approved Docket No. 49421 (1)	Schedule / Workpaper Reference
1	Operation & Maintenance	$ 106,384,421	Docket No. 49421
2	Depreciation and Amortization	79,574,913	Schedule E-1
3	Taxes Other Than Income Taxes	43,989,201	Schedule E-2
4	Federal Income Tax	27,063,632	Schedule E-3
5	Return on Rate Base	173,663,954	Schedule B
6	Total Revenue Requirement	$ 430,676,121	
7	Other Revenues	$ (36,316,000)	Docket No. 49421
8	**Total**	**$ 394,360,121**	
9	ERCOT AVERAGE 4 CP-in MW	69,368.9635	
10	Wholesale Rate $/MW	**$ 5,684.96**	

572. The baseline amounts for CenterPoint Houston's next DCRF filing, per the Errata-1 filing, are as shown on the attached Exhibit A.

573. The baseline amount for CenterPoint Houston's next TCRF filing is $0, subject to any pending interim TCOS cases from other Transmission Service Providers or other charge not appropriate for base rates to go into effect after the Test Year.

Other Issues (Issue Nos. 20, 40, 47 & 59)

574. CenterPoint Houston has received only approximately 120 customer complaints per year related to outages or adequacy of service representing less than 0.005% of the Company's 2.5 million customers.

575. CenterPoint Houston has initiated several programs designed to ensure system reliability that include the following: (1) Pole Maintenance Program; (2) Underground Residential Distribution Cable Life Extension Program; (3) Meter Maintenance Program;

(4) Vegetation Management Program; (5) Feeder Inspection Program; (6) Pole Top Switch Program, (7) Service Restoration Process; (8) Power Factor Program; (9) Infra-red Program, (10) Root Cause Analysis Program, (11) Hot Fuse Program; and, (12) the Distribution Automation Program.

576. CenterPoint Houston is expected to receive $0 in Commission penalties due its System Average Interruption Duration Index (SAIDI) performance in 2018.

577. H-E-B identified several outages that it alleged to be related to service provided by CenterPoint Houston.

578. CenterPoint Houston serves many entities that are similarly situated to H-E-B including Costco, Sam's, Walmart, Buc-ee's, Randall's, Kroger and other grocery chains.

579. H-E-B was the only similarly situated company that has expressed a concern related to CenterPoint Houston's general reliability or service quality.

580. Several H-E-B outages identified were related to transformer fuses that melted due to H-E-B's own on-site generation.

581. CenterPoint Houston has consistently performed as one of most reliable investor-owned electric utilities in the State of Texas.

582. CenterPoint Houston has complied with all requirement and directives included in the Order on Rehearing in Docket No. 38339.

Conclusions of Law

1. CenterPoint Houston is an electric utility as defined by PURA § 31.002, and, therefore, it is subject to the Commission's jurisdiction under PURA §§ 14.001, 32.001, 33.001, 33.002, 33.051, 35.004, and 36.102.

2. CenterPoint Houston is a transmission distribution utility as defined in PURA § 31.002(19).

3. This docket was processed in accordance with the requirements of PURA, the Administrative Procedure Act,[11] and Commission rules.

4. SOAH exercised jurisdiction over this docket under PURA § 14.053 and Texas Government Code § 2003.049.

5. CenterPoint Houston has the burden of proving that the rate change it is requesting is just and reasonable pursuant to PURA § 36.006.

[11] Tex. Gov't Code §§ 2001.001-.092.

6. CenterPoint Houston provided adequate notice of this proceeding in accordance with PURA § 36.103 and 16 TAC § 22.51.

7. Rates are effective on the date requested by the utility unless the rates are suspended. PURA § 36.102(a). Once the Commission suspends the rates, the rates go into effect by the statutorily prescribed deadline. PURA § 36.108. That statutory deadline is 150 days after the date the rate change would otherwise be effective. PURA § 36.108(a)(2). The statutory deadline in this case is October 12, 2019.

8. Under PURA § 33.001, each municipality in CenterPoint Houston's service area that has not ceded jurisdiction to the Commission has jurisdiction over the Company's Application, which seeks to change rates for distribution services within each municipality.

9. The Commission has jurisdiction over an appeal from a municipality's rate proceeding under PURA § 33.051.

10. CenterPoint Houston's overall revenues approved in this proceeding permit CenterPoint Houston a reasonable opportunity to earn a reasonable return on its invested capital that is used and useful in providing service to the public in excess of its reasonable and necessary operating expenses in compliance with PURA § 36.051.

11. Consistent with PURA § 36.053, the rates approved in this proceeding are based on original cost, less depreciation, of property used and useful to CenterPoint Houston in providing service.

12. The ADFIT adjustments approved in this proceeding are consistent with PURA § 36.059 and 16 TAC § 25.231(c)(2)(C)(i).

13. PURA § 36.065(b) provides that an electric utility may establish one or more reserve accounts for expenses for pension and OPEBs and shall periodically record in the reserve account any difference between (1) the annual amount of pension and OPEBs approved as an expense in the electric utility's last general rate proceeding or, if that amount cannot be determined from the regulatory authority's order, the amount recorded for pension and OPEBs under GAAP during the first year that rates from the electric utility's last general rate proceeding are in effect, and (2) the annual of pension and OPEBs as determined by actuarial or other similar studies that are chargeable to the electric utility's expense. PURA § 36.065(d) further allows for a reserve shortage to be added to or a reserve surplus be subtracted from rate base.

14. CenterPoint Houston's requested ADFIT asset for its pension and OPEBs in accordance with PURA § 36.065 was properly included in rate base.

15. Including the cash working capital (CWC) approved in this proceeding in CenterPoint Houston's rate base is consistent with 16 TAC § 25.231(c)(2)(B)(iii)(IV), which allows a reasonable allowance for CWC to be included in rate base.

16. CenterPoint Houston was required to file for a comprehensive rate review on or before July 1, 2019 under 16 TAC § 25.247(c)(2)(B).

17. After making the initial filing under 16 TAC § 25.247(c), each investor-owned electric utility in the ERCOT region must file for a comprehensive rate review within 48 months of the order setting rates in its most recent comprehensive rate proceeding unless extended by the Commission. 16 TAC § 25.247(b).

Books and Records

18. An electric utility must follow applicable accounting rules and rules established by FERC USOA. CenterPoint Houston's books and records comply with those requirements. 16 TAC § 25.72.

Accounting

19. Additions and replacements of electric plant will be considered as consisting of (1) retirement units and (2) minor items of property. When a defined retirement unit is added to or retired from electric plant, the cost of that activity shall be applied to the appropriate capital account. 16 TAC § 25.72 and 18 CFR Part 101, § 1.

20. FERC account 394, Tools, Shop and Garage equipment shall include the cost of tools, implements and equipment used in construction, repair work, general shops and garages. 16 TAC § 25.72 and 18 CFR Part 101, FERC plant account 394.

21. Indirect corporate costs and capitalized O&M are properly excluded from DCRF filings as the definition of distribution invested capital, for purposes of the DCRF rules, exclude those costs and CenterPoint Houston's DCRF filings complied with all requirements of the DCRF rules. 16 TAC § 25.243(b)(3).

22. FERC account 105, Electric Plant Held for Future Use shall include the original cost of land and land rights owned and held for future use in electric service under a plan for such use to include land and land rights: (1) Acquired but never used by the utility in electric service, but held for such service in the future under a plan, and (2) previously held by the utility in service, but retired from such service and held pending its reuse in the future under a plan in electric service. 16 TAC § 25.72 and 18 CFR Part 101, FERC balance sheet account 105.

23. Section 302 (a)(1) of the Employee Retirement Security Act (ERISA), Pub. L. 93-406, Title 1, § 302 requires that employee pension plans subject to ERISA must satisfy minimum funding standards established pursuant to ERISA. 29 US.C.§ 1082.

24. Allowable expenses may include return on invested capital which is the rate of return times invested capital. 16 TAC § 25.231(c). Invested capital may include reasonable prepayment for operating expenses 16 TAC § 25.231(c)(2)(B)(ii).

EDIT

25. The TCJA lowered federal income tax rates from 35% to 21%. Pub. L. No. 115-97.

26. Protected EDIT balances may not be returned more rapidly than under the average rate assumption method or a normalization violation will occur. Pub. L. No. 115–97, Section 13001(d)(1) (2017).

27. The two components of cost of service are allowable expenses and return on invested capital. 16 TAC § 25.231(a). The return on invested capital is the rate of return times invested capital. 16 TAC § 25.231(c). Accumulated reserve for deferred federal income tax is deducted from the calculation of invested capital. 16 TAC 25.231(c)(2)(C)(i).

Return

28. The return on equity and overall rate of return authorized in this proceeding are consistent with the requirements of PURA §§ 36.051 and 36.052.

Reliability

29. Each utility must maintain and operate its electric distribution system so that the SAIDI, which represents the average number of outage minutes per customer per year, and the System Average Interruption Frequency Index, which represents average number of times that a customers' service is interrupted, do not exceed the average of the three years, 1998, 1999, and 2000, by more than 5%. 16 TAC § 25.52.

REP Bad Debt Regulatory Asset

30. A transmission and distribution utility shall create a regulatory asset for bad debt expenses and upon a review of reasonableness and necessity, a reasonable level of amortization of such regulatory asset shall be included as a recoverable cost in the transmission and distribution utility's rates in the next rate case or such other rate recovery proceeding as deemed necessary. 16 TAC § 25.107(f)(3)(B).

Pension and OPEB Regulatory Liability

31. The regulatory authority shall include in the rates of an electric utility expenses for pension and other post-employment benefits, as determined by actuarial or other similar studies in accordance with generally accepted accounting principles. PURA § 36.065.

Expedited Switching Costs Asset

32. A transmission and distribution utility shall create a regulatory asset for the expenses associated with performing standard meter reads for the purpose of switches. Upon review of the reasonableness and necessity, a reasonable level of amortization of such a regulatory asset, including carrying charges, shall be included as a recoverable cost in the transmission

and distribution utility's rate in the next rate case or such other rate recovery proceeding as deemed necessary. 16 TAC § 25.474(o).

Affiliate Expenses

33. The Commission may allow a capital cost or expense payment to an affiliate to the extent that the Commission finds the payment is reasonable and necessary for each item or class of items. PURA §36.058(b).

34. Corporate support services are services shared by a utility, its parent holding company, or a separate affiliate created to perform corporate support services, with its affiliate of joint corporate oversight, governance, support systems, and personnel. 16 TAC § 25.272(c)(4). The affiliate costs charged to CenterPoint Houston are of the type enumerated in the definition of 16 TAC § 25.272(c)(4).

35. The affiliate expenses approved in this proceeding and included in CenterPoint Houston's rates meet the affiliate payment standards articulated in PURA §§ 36.051, 36.058, and *Railroad Commission of Texas v. Rio Grande Valley Gas Co.*, 683 S.W.2d 783 (Tex. App.—Austin 1984, no writ).

36. A "Report of Affiliate Activities" must be filed annually with the Commission by electric utilities and transmission and distribution utilities. The filing shall include copies of any contract or agreements it has with its affiliate. 16 TAC § 25.84(d) & (e).

Restoration Costs

37. An electric utility is entitled to recover system restoration costs consistent with the provisions of Chapter 36, Subchapter A, and is entitled to seek recovery of amounts not recovered under Chapter 36, Subchapter A, including system restoration costs not yet incurred at the time an application is filed under PURA § 36.405(b), in its next base rate proceeding or through any other proceeding authorized by Chapter 36, Subchapter C or D. PURA § 36.405(a).

38. System restoration costs shall include carrying costs at the electric utility's weighted average cost of capital as last approved by the Commission in a general rate proceeding from the date on which the system restoration costs were incurred until the date that transition bonds are issued or until system restoration costs are otherwise recovered pursuant to the provisions of Chapter 36, Subchapter A. PURA § 36.402(b).

39. CenterPoint Houston's request to recover carrying charges for Hurricane Harvey-related storm restoration costs is consistent with PURA §§ 36.405, 36.402(a) and (b).

Financial Ring-Fencing

40. The Commission "has only the powers that the Legislature confers upon it" and "any implied powers that are necessary to carry out the express responsibilities given to it by the Legislature." *Public Util. Comm'n v. City Pub. Serv. Bd.*, 53 S.W.3d 310, 315 (Tex. 2001).

41. The Legislature has not expressly given the Commission the power to impose ring-fencing provisions in a rate proceeding under Chapter 36 of PURA. PURA §§ 11.001-66.016.

42. There is no general implied power to enforce ring-fencing provisions in a rate proceeding under Chapter 36 of PURA. *Nucor Steel-Texas v. Public Util. Comm'n of Tex.*, 363 S.W.3d 871, 883 (Tex. App.—Austin 2012, no pet.).

Incentive Compensation

43. HB 1767 creates a presumption of reasonableness and necessity for base salaries, wages, incentive compensation and benefits for gas utilities as long as those costs are consistent with recent issued market compensation studies. Act of July 15, 2019, 86th R.S., HB 1767 (to be codified as an amendment to Tex. Util. Code Ann.§ 104.060).

44. The passage of HB 1767 reflects a new policy pronouncement from the Legislature and Governor, that confirms it is reasonable for a utility to rely on recent market compensation studies to determine base salaries, wages, and incentive compensation and benefits.

45. The Commission may not interfere with employee wages and benefits, working conditions, or other terms or condition of employment that are the product of a collective bargaining agreement recognized under federal law. PURA § 14.006.

46. An employee wage rate or benefit that is the product of the collective bargaining is presumed to be reasonable. PURA § 14.006.

ADFIT

47. The ADFIT adjustments approved in this proceeding are consistent with PURA § 36.059 and 16 TAC § 25.231(c)(2)(C)(i).

Vegetation Management

48. Storm hardening is defined as all activities related to improved resilience and restoration times, including but not limited to emergency planning, construction standards, vegetation management, or other actions before, during, or after extreme weather events. 16 TAC § 25.95(c).

49. Utilities are required to prepare a Storm Hardening Plan and file a summary of those plans by May 1st of each year. 16 TAC § 25.95(d).

50. Storm Hardening Plans must include a Vegetation Management Plan for distribution facilities, including a tree pruning methodology and pruning cycle, hazard tree identification and mitigation plans, and customer education and notification practices related to vegetation management. 16 TAC § 25.95(e)(2).

EEP Adjustment

51. The Commission is required to take known and measurable changes into account. *Oncor Elec. Delivery Co. v. Public Util. Comm'n of Tex.*, 507 S.W.3d 706, 717 (Tex. 2017).

52. The EEP adjustment was calculated using the Commission's Technical Reference Manual (TRM) which is used to calculate energy savings and set rates in the EECRF proceedings pursuant to 16 TAC § 25.218(q).

53. The TRM, defined at 16 TAC § 25.181(c)(56), is used in program planning and reporting energy efficiency programs. 16 TAC § 25.181 & 25.182.

Cost Allocation

54. Each TSP shall file a tariff for transmission service to establish its rates and other terms and conditions and shall apply its tariffs and rates on a non-discriminatory basis as required by 16 TAC § 25.192.

55. 16 TAC § 25.192 addresses how TSPs charge DSPs for transmission and it does not dictate how wholesale transmission costs are to be allocated to the customer class.

56. An interested person by petition to a state agency may request the adoption of a rule. Tex. Gov't Code Ann. § 2001.021. TIEC's request to revise 16 TAC § 25.193 is appropriately addressed through a rulemaking.

Tax

57. Taxable entities that are part of an affiliated group engaged in a unitary business shall file a combined group report in lieu of individual reports based on the combined group's business. Tex. Tax Code Ann. 171.1014.

58. CenterPoint Houston has complied with the requirement of PURA § 36.060.

Insurance

59. PURA § 36.064 permits a utility to self-insure against "potential liability or catastrophic property loss, including windstorm, fire, and explosion losses, that could not have been reasonably anticipated and included under operating and maintenance expenses." The Commission shall approve a self-insurance plan under that section if it finds the coverage is in the public interest, the plan, considering all of its costs, is a lower cost alternative to purchasing commercial insurance, and ratepayers receive the benefits of the savings.

60. CenterPoint Houston's liability or catastrophic property-loss self-insurance program accords with PURA § 36.064 and 16 TAC § 231(b)(1)(G).

61. CenterPoint Houston's rates, as approved in this proceeding, are just and reasonable in accordance with PURA § 36.003.

Ordering Paragraphs

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

1. The proposal for decision prepared by the SOAH ALJs is adopted to the extent consistent with this Order.

2. The Commission approves CenterPoint Houston's application to the extent provided in this Order.

3. The Commission approves the rates, terms, and conditions described in this Order.

4. The Commission approves CenterPoint Houston's proposed tariffs.

5. The final rates approved in this Order are effective for bills rendered on and after October 12, 2019.

6. CenterPoint Houston shall file compliance tariffs consistent with this Order within 20 days of the date of this Order. No later than ten days after the date of the tariff filings, Staff shall file its comments recommending approval, modification or rejection of the individual sheets of the tariff proposal. Responses to the Staff's recommendation shall be filed no later than 15 days after the filing of the tariff. The Commission shall by letter approve, modify, or reject each tariff sheet. The tariff sheet shall become effective 30 days after approval by Commission letter or deemed approved pursuant to Ordering Paragraph 7.

7. The tariff sheets shall be deemed approved on the expiration of 20 days from the date of filing, in the absence of written notification of modification or rejection by the Commission. If any sheets are modified or rejected, CenterPoint Houston shall file proposed revisions of those sheets in accordance with the Commission's letter within ten days of the date of that letter, and the review procedure set out above shall apply to the revised sheets. The tariff sheets shall become effective 30 days after approval.

8. CenterPoint Houston must serve copies of all tariff-related filings on all parties of record.

9. CenterPoint Houston's depreciation rates are those approved in this proceeding.

10. CenterPoint Houston's must use the DCRF, TCOS and TCRF baseline values approved in this proceeding.

11. CenterPoint Houston must allocate the retail revenue increase approved in this Order among the rate classes as approved in this Order.

12. The Commission approves CenterPoint Houston's proposed rate design.

13. The Commission approves CenterPoint Houston's request to update various non-rate provision in CenterPoint Houston's Tariff for Retail Delivery Service.

14. The Commission approves CenterPoint Houston's requested riders, including Rider UEDIT that refunds to customers the balance of unprotected excess deferred income taxes resulting from the TCJA.

15. Consistent with the findings in this Order each of the assets and liabilities included in CenterPoint Houston's application are hereby approved.

16. It is further ordered that consistent with the findings in this Order related to Smart Meter Texas, Medicare Part D Subsidy, REP Bad Debt, carrying charges for Hurricanes Harvey and Ike, and Expedited Switching Costs, CenterPoint Houston shall continue to record and defer as regulatory assets costs associated with Smart Meter Texas, Medicare Part D Subsidy, REP Bad Debt, carrying charges for Hurricanes Harvey and Ike and Expedited Switching Costs. The reasonableness of the individual costs accumulated in such regulatory assets will be subject to review in future rate proceedings.

17. Consistent with the findings in this Order, CenterPoint Houston's Medicare Part D Subsidy regulatory asset is hereby approved. CenterPoint Houston is directed to maintain the Medicare Part D Subsidy regulatory asset consistent with its Application and the Commission's prior Orders. CenterPoint Houston's request to recover its deferred Medicate Part D Subsidy is hereby approved.

18. Consistent with the findings in this Order, CenterPoint Houston's request to record Texas Margin Tax (TMT) as an accrual to be reflected in base rates is approved. Further, the Company's request to establish a TMT regulatory asset to recover the regulatory asset balance related to the TMT amount removed from the test year is approved. The Company shall recover the TMT regulatory asset over a three-year period.

19. It is further ordered that the proposed Protected EDIT, PURA Pension and OPEB, and Hurricane Ike liabilities are approved consistent with CenterPoint Houston's Application.

20. It is further ordered that the request to include in its rate base and amortize regulatory assets or regulatory liabilities set forth in its Application over a three-year period is approved consistent with CenterPoint Houston's request. Furthermore, to the extent it is consistent with its request, the reasonableness of the individual costs accumulated in such regulatory asset will be subject to review in future rate proceedings.

21. The Commission approves CenterPoint Houston's update to charges for Discretionary Services and the Commission approves a new Discretionary Charge for customer-requested service calls related to Unmetered Service Attachments.

22. CenterPoint Houston must use a weighted average cost of capital of 7.39%, which is based on a 4.38% cost of debt, an authorized return on equity of 10.40%, and an authorized regulatory capital structure of 50% long-term debt and 50% equity, in all Commission proceedings or filings requiring application of those items.

23. Issues associated with rate case expenses incurred by CenterPoint, including expense incurred by municipal parties, are to be considered in P.U.C. Docket No. 49595, Review

of Rate Case Expenses Incurred by CenterPoint Energy Houston, LLC in Docket Nos. 38339, 45747, 47032, 47364, 48226, and 49421.

24. CenterPoint Houston must refund excess deferred federal income taxes (EDIT) resulting from the change in federal corporate income tax rates under the TCJA. CenterPoint Houston must refund protected excess EDIT as approved in this Final Order.

25. CenterPoint Houston must accrue the approved self-insurance reserve accrual amount until modified by a final order in a subsequent proceeding.

26. All other motions, requests for entry of specific finding of fact and conclusions of law, and any other requests for general or specific relief, if not expressly granted, are denied.

Signed at Austin, Texas the ______ day of October 2019.

PUBLIC UTILITY COMMISSION OF TEXAS

____

DEANN T. WALKER, CHAIRMAN

____

ARTHUR C. D'ANDREA, COMMISSIONER

____

SHELLY BOTKIN, COMMISSIONER

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electic, LLC
Update Period 1/1/2010 - 12/31/2018
Sponsor:

DCRF Baseline Rate Case Values

PUBLIC UTILITY COMMISSION OF TEXAS
CENTERPOINT ENERGY HOUSTON ELECTRIC
P.U.C. DOCKET NO. 49421
FOR THE TEST YEAR ENDED 12/31/2018

Description	Reference	Residential	Secondary <=10 KVA	Secondary > 10 KVA	Primary Voltage	Transmission Voltage	Lighting Total	Total
$DIC_{RC-Class}$	wp/Schedule J/3 1	$2,032,035,779	$48,593,127	$1,076,376,160	$82,495,705	$9,019,935	$293,616,136	$3,542,136,841
ROR_{AT}	wp/Schedule J/3 2	7 39%	7.39%	7.39%	7 39%	7.39%	7 39%	7 39%
$DEPR_{RC-Class}$	wp/Schedule J/3 3	$151,793,320	$4,508,064	$76,193,857	$5,953,804	$1,601,344	$19,395,940	$259,446,328
$FIT_{RC-Class}$	wp/Schedule J/3 5	$24,162,506	$577,435	$12,668,906	$962,878	$85,433	$3,485,454	$41,942,612
$OT_{RC-Class}$	wp/Schedule J/3 4	$39,354,889	$998,729	$20,683,827	$1,607,411	$246,371	$5,570,334	$68,461,562
$DISTREV_{RC-Class}$	$(DIC_{RC} * ROR_{AT}) + DEPR_{RC} + FIT_{RC} + OT_{RC}$	$365,478,159	$9,675,259	$189,090,788	$14,620,527	$2,599,721	$50,149,961	$631,614,414
$ALLOC_{CLASS}$	wp/Schedule J/3 9	57 7240%	1.3860%	30 3651%	2.3553%	0 2489%	7.9208%	100.00%