(f) A transmission and distribution utility shall, when reasonably practicable, use a competitive bidding process to lease facilities under Subsection (b)(1).

(g) A transmission and distribution utility that leases and operates facilities under Subsection (b)(1) or that procures, owns, and operates facilities under Subsection (b)(2) shall include in the utility's emergency operations plan filed with the commission, as described by Section 186.007, a detailed plan on the utility's use of those facilities.

(h) The commission shall permit:

(1) a transmission and distribution utility that leases and operates facilities under Subsection (b)(1) to recover the reasonable and necessary costs of leasing and operating the facilities, including the present value of future payments required under the lease, using the rate of return on investment established in the commission's final order in the utility's most recent base rate proceeding; and

(2) a transmission and distribution utility that procures, owns, and operates facilities under Subsection (b)(2) to recover the reasonable and necessary costs of procuring, owning, and operating the facilities, using the rate of return on investment established in the commission's final order in the utility's most recent base rate proceeding.

(i) The commission shall authorize a transmission and distribution utility to defer for recovery in a future ratemaking proceeding the incremental operations and maintenance expenses and the return, not otherwise recovered in a rate proceeding, associated with the leasing or procurement, ownership, and operation of the facilities.

(j) A transmission and distribution utility may request recovery of the reasonable and necessary costs of leasing or procuring, owning, and operating facilities under this section, including any deferred expenses, through a proceeding under Section 36.210 or in another ratemaking proceeding. A lease under Subsection (b)(1) must be treated as a capital lease or finance lease for ratemaking purposes.

(k) This section expires September 1, 2029.

SECTION 2. Not later than January 1, 2029, the Public Utility Commission of Texas shall:

(1) analyze the effects of authorizing transmission and distribution utilities to lease, operate, procure, or own the facilities described by Section 39.918(b), Utilities Code, as added by this Act; and

(2) submit a report to the legislature that includes the analysis produced under Subdivision (1) of this section and a recommendation of whether the legislature should allow Section 39.918, Utilities Code, as added by this Act, to expire.

SECTION 3. This Act takes effect September 1, 2021.

H.B. No. 2483

______________________________ ______________________________

President of the Senate Speaker of the House

I certify that H.B. No. 2483 was passed by the House on April 21, 2021, by the following vote: Yeas 145, Nays 1, 1 present, not voting; that the House refused to concur in Senate amendments to H.B. No. 2483 on May 27, 2021, and requested the appointment of a conference committee to consider the differences between the two houses; and that the House adopted the conference committee report on H.B. No. 2483 on May 30, 2021, by the following vote: Yeas 143, Nays 0, 1 present, not voting.

______________________________

Chief Clerk of the House

H.B. No. 2483

I certify that H.B. No. 2483 was passed by the Senate, with amendments, on May 22, 2021, by the following vote: Yeas 30, Nays 0; at the request of the House, the Senate appointed a conference committee to consider the differences between the two houses; and that the Senate adopted the conference committee report on H.B. No. 2483 on May 29, 2021, by the following vote: Yeas 31, Nays 0.

______________________________
Secretary of the Senate

APPROVED: ____________________
Date

____________________
Governor

CenterPoint Energy

Accounting and Control Policies

**Policy Number: 21**

# Capitalization Policy

**Policy**

Company expenditures for items that have a useful life greater than one year or that extend the useful life of an existing asset by more than one year, that meet the minimum dollar thresholds, and that are not intended for sale in the ordinary course of business shall be capitalized as per the guidance outlined below. Capitalization of software is covered under the Company's Capitalization of Computer Software Policy and construction overhead is covered under the Company's Construction Overhead Policy.

**Purpose**

The purpose of this Capitalization Policy is to provide the criteria for expenditure capitalization and addition to the capital base. Adherence to this policy is designed to:

- Ensure the integrity of the financial data by defining consistent criteria for capitalization across all Business Units
- Provide a consistent basis for determining when expenditures are recorded as capital assets
- Provide a defined expectation for assets to be added to or removed from the capital base.

**Capital Additions**

**Timing**

Capital orders are considered to be field complete at the end of the capitalization period, i.e., when the asset is substantially complete and ready for intended use. At that time, the status of the order in SAP should be changed to field complete (FC) or a status equivalent to field complete, such as Contractor Complete (CTCC). Setting a capital order to a FC status will ensure interest or AFUDC, as applicable, is no longer capitalized and will allow the asset to be moved into Construction Complete Not Classified (CCNC) and begin depreciation.

Subsequent to the Field Complete status, a capital order will updated to Technically Complete (TECO) status. The TECO status indicates that all capital materials associated with the order have been properly entered. Specifically, this means that all installed materials have been appropriately charged and all actual retirement components have been properly itemized on the work order.

Property Accounting strives to unitize work orders within 60 days but no later than 120 days from the end of the calendar month in which an order is placed in TECO status. Sufficient information must be contained on the work order in order to facilitate unitization analysis. Additionally, work orders tied to Superior Projects are not unitized until all related work orders are placed in TECO status. When an order is unitized, Property Accounting will move the asset from CCNC into

**Capital Additions** continued

Plant in Service (PIS). Depreciation will continue to be accrued monthly after the asset is moved to PIS.

**Retirement Unit**

The addition of a complete Retirement Unit (RU), a complete Substantial Minor Item (SMI), or a Betterment can increase the capital base of an Entity. In addition, certain assessment costs, excluding Pipeline Integrity, incurred in conjunction with major capital rehabilitation projects can be included in the capital base of the associated retirement unit. Only retirement of a complete RU can decrease the capital base. The treatment for each follows:

- When an identical or different RU replaces an existing RU, the old unit must always be retired and the new unit added to the capital base. A minimum threshold may also be required to capitalize a replacement of an RU of pipe, i.e., 50 feet of plastic pipe.
- The addition of an RU shall be capitalized.
- For Electric Companies and Local Distribution Companies (LDCs), RUs are defined in their respective retirement unit catalogs.
- For regulated entities, the removal cost associated with an RU shall be included as capital by charging accumulated depreciation at the Business Unit level for regulatory reporting purposes. For external reporting purposes, removal cost is reclassified to the regulatory liability for rate-regulated entities that apply the guidance of Accounting Standards Codification (ASC) 980, "Regulated Operations.[1].

**Substantial Minor Item**

- The addition of an SMI to an existing RU is defined as a "substantial addition" and is capitalized.
- When an existing SMI is replaced, the entire replacement cost is charged to maintenance expense.
- An SMI is considered integral to the underlying retirement unit. Consequently, an SMI should never be removed without being replaced. Any costs associated with the removal or replacement of an SMI independent of the RU of which it is part would be considered maintenance expense.

[1] See the CenterPoint Energy, Inc. Accounting for Rate-Regulation Policy for information on ASC 980.

**Capital Additions** *continued*

- When an SMI is replaced and the conditions of a "Betterment" are met, the excess cost of the new SMI over the cost of "like replacement" is capitalized and the estimated "like replacement cost" is charged to maintenance expense. An estimate of the cost of making the change without a Betterment must be submitted with the work order request. All charges are to be made to the work order. The cost of making the change without Betterment will be transferred to maintenance expense by Property Accounting Services. The excess cost of the Betterment over the estimated cost at current prices of replacing without Betterment will remain in Construction Work In Progress until the work order is cleared to Plant In Service. The RU value will then be increased by the Betterment amount. No retirement from plant is made.
- When an SMI is modified and the conditions of a Betterment are met, the cost is capitalized. After the completion of this work, the work order will be cleared to Plant In Service and the RU value increased by the Betterment amount.

**Less than Substantial Minor Items**

Due to the relative cost of such items in relation to the cost of the RU of which they are a part, the addition of a Less than Substantial Minor Item (LSMI) is not a "substantial addition" and such costs are charged to maintenance expense.

The addition of an LSMI is normally charged to maintenance expense. The addition of an LSMI is charged to capital only when installing new facilities or when an LSMI is part of a related capital work order.

**Betterment**

The costs incurred that meet the definition of betterment are capitalized.

**Capital Additions** *continued*

| **Determining the treatment** | The following table shall be used to determine the treatment of costs as capital or expense for a property item type. | | |
|---|---|---|---|
| **Property Item Type** | **Adding Property** | **Removing & Replacing Property** | **Removing Property – No Replacement** |
| Retirement Unit | Capitalize | Capitalize | Capitalize |
| Substantial Minor Item of Property | Capitalize | Expense (Capitalize a Betterment) | Expense |
| Less than a Substantial Minor Item of Property | Expense (Capitalize if installing new facilities or part of a capital work order) | Expense (Capitalize if installing new facilities or part of a capital work order) | Expense |

### Assessment Costs

Generally, costs incurred to inspect, test and report on the condition of existing assets in order to determine the need for repairs or replacements are considered expense. Additionally, costs incurred as part of an ongoing inspection, testing or maintenance programs are also recorded as expense. Pipeline Integrity is an example of ongoing maintenance costs that should be expensed.

However, assessment costs incurred when the work is being performed in conjunction with a major rehabilitation program may be capitalized if certain conditions are met:

1) The assessment costs must be incurred subsequent to determining the need for a major rehabilitation program
2) The rehabilitation project involves a significant number of capital replacements and modification of facilities
3) The rehabilitation project must extend the overall service life of the asset beyond its original useful life and serviceability
4) The scope of the rehabilitation project must be clearly defined with a projected completion date
5) The rehabilitation project must be separately budgeted as a capital item

Approval from the Director of Financial Accounting is required before any capital assessment costs are planned. Such approval should be given if there is a strong probability of regulatory recovery of capital assessment costs

**Retirement Unit Catalog/ Capitalization Guidelines**

Property Accounting will maintain a property unit catalog (catalog) or capitalization guidelines for all Entities. Additions or changes to the catalog or guidelines must meet one of the following criteria for consideration.

- Relative dollar value to the current RU
- For SMI's, the frequency of replacement without removing the associated RU
- Change in technology
- Approval of a regulator

**Retirement – Property Unit Catalog Example**

**(Electric)**

Catalog Section: Distribution Plant
Retirement-Property Unit Code: FCA 364
Fixed Capital Account (FCA): Poles, Towers & Fixtures
Expense Account(s): 583 and 593
Retirement-Property Unit: Poles, Wood, Length
Unit of Measure: Each

Description includes installed cost for treated wood poles, all classes, complete with framing, hardware and supports used singly or in multi-pole structures.

Minor Items Of Property:
- Crossarms*
- Anchor Rod
- Vertical Brackets
- Guy Wire
- Crossarm Braces
- Guy Hook
- Pins
- Guy Grip
- Cluster Racks*
- Secondary Rack
- Secondary Fork
- Miscellaneous Wood Pole Hardware
- Bolts, Nuts, Washers (BNW)
- Bus Support Structure
- Bracket
- Pole Bracing*
- Anchor

*Substantial Minor Items – Addition of a substantial minor item shall be charged to Account 364.

Costs Chargeable To Maintenance:
- Repair and/or replacement of any part of the above RU without replacement of the entire RU shall be charged to expense.
- Addition of any minor item other than a substantial minor item shall be charged to expense.

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**Retirement – Property Unit Catalog Example**

**(Gas)**

Capital Projects
All Mains

- All new installation and replacement activities that involve adding or retiring pipe footage
- Relocation or offsets that involve adding or retiring pipe footage
- Abandonments or removal without a replacement main installation
- Reinstatement of previously abandoned pipe
- First-time installation of Weld Over Sleeves

Expense Items
All Mains

- Relocation that does not involve adding or retiring pipe footage
- Repairs to mains that do not require adding or retiring pipe footage
- Replacement or addition of clamps, valves, pipe coating, couplings, and supports, unless the work is done as part of a capital project Pipeline Integrity Assessment Costs

**General Plant and Miscellaneous Equipment**

General Plant and Miscellaneous Equipment purchases, new or replacement, must be greater than $500 and have a useful life of more than one year in order to be capitalized.

Exception: The initial outfitting and equipment of a new facility or vehicle (i.e. a new laboratory, machine shop, office building, service center, truck, etc.) shall be capitalized.

CenterPoint Energy

Accounting and Control Policies

Policy Number: 21

# Capitalization Policy

**Responsibilities** This table lists the responsibilities for this Policy:

| Position | Responsibility |
|---|---|
| Business Units | ▪ Capitalizing costs incurred using the capitalization criteria<br>▪ Updating the FC and TECO status of capital orders<br>▪ Controlling the use and security of movable and fixed assets in its possession<br>▪ Periodically reviewing the retirement unit catalog/capitalization guidelines and proposing catalog/capitalization guidelines changes to Property Accounting |
| Chief Accounting Officer and Controller | ▪ Administering this Policy |
| Director of Financial Accounting | ▪ Reviewing proposed capital assessment programs to vet the probability of regulatory recovery before costs are planned and incurred |
| Property Accounting | ▪ Maintaining the retirement unit catalogs/capitalization guidelines<br>▪ Providing assistance to the Business Unit with questions on capitalization<br>▪ Transfer of like replacement costs to maintenance expense as needed<br>▪ Reviewing and approving all proposed changes to the definition of an RU within the retirement unit catalog/capitalization guidelines |

**Definitions** This table provides definitions of terms used in this policy:

| Term | Definition |
|---|---|
| Betterment | Cost incurred to replace an SMI with a nonequivalent SMI or an SMI modification without replacement AND the primary aim is to make the affected RU more efficient, of greater durability, or of a greater capacity AND<br><br>(A) The total installed expenditure for the SMI is 20% or more of the total installed cost of the RU to which the SMI is related (provided such SMI expenditures exceeds $25,000), or<br>(B) The SMI expenditure is $250,000 or more. |
| Business Unit | The functional operating area that maintains and reports operating financial information. |

*Continued on next page*

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Accounting and Control Policies

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# Capitalization Policy

| Term | Definition |
|---|---|
| Capital Assessment | Assessment costs incurred in conjunction with a major rehabilitation project intended to extend the life of an existing retirement unit beyond the original useful life. |
| Company | CenterPoint Energy, Inc. |
| Construction Complete Not Classified (CCNC) | General ledger and FERC account reflecting original cost of utility plant owns and used in utility operations, prior to determination of final retirement units. |
| Director of Financial Accounting | A Director in accounting who is responsible for oversight of one or more accounting managers who maintain the books of a Business Unit. |
| Entity | The Company or any corporation, partnership, trust, joint venture, firm, association, unincorporated organization, legal entity, or other enterprise in which the Company holds, directly or indirectly, a greater than 50% control. |
| Field Complete (FC) | FC applies to assets that are substantially complete and ready for intended use. |
| Financial Planning | The organizations within each Business Unit assigned the responsibility of planning and financial analysis |
| Less Than Substantial Minor Items of Property (LSMI) | Items that are parts of an RU or SMI. |
| Plant in Service (PIS) | General ledger and FERC account reflecting original cost of utility plant owned and used in utility operations and classified into distinct retirement units. |
| Property Accounting | The department responsible for the accounting and reporting of capitalized Company property, including assets under construction. |
| Retirement Unit (RU) | The basic units to which the capital assets of the Company are identified. An RU is the smallest item of property, which, on replacement or removal from service, is removed from the capital assets records. An RU may be an item (a 35 foot wood pole), a group of items (yard lighting system), or a unit of measure associated with bulk material (pounds of copper conductor or foot of pipe). Unit costs are associated with each RU (a 35 foot wood pole @ $77.56 each installed or bare copper conductor @ $2.1136 per pound installed). Each Electric or Gas RU has an identifying code and is listed in the corresponding Retirement Unit Catalog. |

*Continued on next page*

| Term | Definition |
|---|---|
| Substantial Minor Items of Property (SMI) | Items that are part of an RU. Examples include the following:<br>• Crossarm<br>• Gas monitoring equipment on main power transformers<br>• Switch interrupters |
| Superior Project | A large multi-phase construction project that is associated with multiple work orders. |
| Technically Complete (TECO) | TECO is an order status in SAP which should be updated by the business unit when appropriate. A TECO'd work order should include installed materials and any required retirement components. |
| Titles, Offices, and Officers | Those of the Company unless otherwise specified. |

**Authorization**

The Controller will make final determination on all exception items or items under special circumstances.

**Compliance**

Employees must comply with this policy. Failure to comply with this Policy may result in disciplinary action up to and including termination.

## Document History

**Introduction**

This policy was implemented in separate components for the Business Units at various times.

**Document history**

Below are at least the last three revisions of this document, including all revisions within the last three months.

| Date | By | Description |
|---|---|---|
| 12/2013 | Manager, Accounting Research | Revised to address the capitalization of assessment costs per FERC (Docket No. AC09-27-000) |
| 08/2014 | Manager, Accounting Research | Removed weld-over sleeves from expensed items |
| 12/2018 | Accounting Integration Team | Modified policy to incorporate changes related to integration of legacy Vectren companies. |
| 09/2019 | Property Accounting | Removed designated minimum footages for mains from the excerpt from the Retirement Unit Catalog |
| 07/2021 | Property Accounting | Modified policy to incorporate changes related to enterprise integration. |

CenterPoint Energy

Accounting and Control Policies | Policy Number: 20

# Capitalization of Computer Software Policy

## Purpose

The purpose of this document is to ensure the integrity of financial data through appropriate capitalization of computer software costs. ASC 350-40 *Internal Use Software* is the source document for all accounting guidance included in this policy.

Note: This policy does not apply to any internally developed software that will be sold or marketed. See Controller for guidance.

## Policy

The lifecycle of an internal use software project is separated into three stages. The accounting treatment of expenditures is based upon the stage. Costs of computer software that is developed or obtained for internal use may be capitalized only when a project is in the Application Development Stage, and all the following criteria are met:

- The costs meet the minimal cost and capitalization requirements as outlined in this policy
- Portfolio Management has verified that the project is budgeted and approved as part of the five-year capital plan or has received approval from the Executive Committee.
- The project has a useful life greater than one year
- Generally, software license costs must be paid upfront to qualify for capitalization. Licenses paid out over time must be evaluated by Accounting Research to determine if the agreement contains a financing component.

***Expensed costs***: All costs related to software development and incurred during the Preliminary Project Planning Stage and the Post-Implementation/Operation Stage, are expensed, not capitalized, regardless as to the nature of the cost.

***Exception to expensed costs:*** First year maintenance in the year of initial deployment of new software can be capitalized.

## When capitalization ceases

Capitalization of costs cease when a computer software project is substantially complete and ready for use.

Substantially complete includes a "Hypercare" phase for a reasonable period of time after the project has been transferred to the production environment. For most projects, four weeks is considered a reasonable time for hypercare. For larger projects, a request for an extended hypercare period can be approved by Property Accounting.

CenterPoint Energy



**Impaired cost**

If it is no longer probable the computer software will be completed and placed in service, no further costs are to be capitalized, and the costs previously charged to capital are expensed immediately.

**Compliance**

Employees must comply with this policy. Failure to comply with this Policy may result in disciplinary action up to and including termination.

**Minimal cost requirement**

The below table lists the minimum cost requirements.
***Important***: Each project must meet both the minimum dollar threshold *and* have a useful life of 1+ year(s) to be capitalized.

| Source | Minimum Dollar Threshold |
|---|---|
| Purchased, including<br>• Total licenses for LAN-based and enterprise software<br>• Individual licenses for desktop software | $10,000 or greater |
| Internally developed software | $100,000 or greater |
| Upgrades and enhancements to existing internally developed software resulting in additional specified functionality | |
| Implementation costs for cloud computing arrangements that are a service contract[1] | |
| Implementation costs for upgrades and enhancements to existing cloud computing arrangements that are service contracts, resulting in additional specified functionality[1] | |

Project costs that are incurred, both internal and third party, during the Preliminary Project Stage and Post-Implementation/Operation Stage of the project are expensed, not capitalized.

**Preliminary Project Stage**

The below table lists examples of activities that must be completed prior to entering the Application Development stage. Costs incurred in this stage must be expensed and not capitalized.

[1] Hosting fees for cloud computing arrangements and other SaaS fees continue to be expensed as incurred. The cloud arrangement term must be greater than 1 year to capitalize implementation costs.

| Description | Example Activities |
|---|---|
| Conceptual formation of alternatives | • Make strategic decisions to allocate resources between alternative projects at a given point in time.<br>***Example***: Should programmers develop a new payroll system or direct their efforts toward correcting existing problems in an operating payroll system?<br>• Determine the following for the computer software project it has proposed to undertake:<br>o Performance requirements (what software should do)<br>o System(s) requirements |
| Evaluation of alternatives | • Invite vendors to perform demonstrations of how their software will fulfill the project needs.<br>• Explore other means for achieving specified performance requirements.<br>***Examples***: Should the Company make or buy the software? Should the software run on a mainframe or a client server system? |
| Determination of existence of needed technology | Evaluate and perform activities to determine the performance and system requirements exist, as necessary. |
| Final selection from alternatives | • Select vendors if software is to be purchased.<br>• Select consultants to assist in the development or installation of the software. |

**Application Development Stage**

Costs incurred during the Application Development Stage and related to the purchase, design, development, configuration or testing of computer software may be capitalized. The project does not enter the Application Development Stage, and costs may not be capitalized, until all activities associated with the Preliminary Project Stage have been completed and documented on the Application Development Stage – Approval Form, which is retained by the Technology Strategic Planning and Portfolio Management Office. A form is required for all capitalized software development, regardless of whether the software was purchased with hardware[2].

[2] Purchases of hardware only do not require an Application Development Stage - Approval Form.

Business Units/Departments should engage with IT when the need for a software solution has been identified. Once a project has been fully vetted and the Preliminary Project Stage is complete, IT will assist the Business Unit in the preparation and submission of the Application Development Stage – Approval Form.

This table lists examples of capitalizable activities when incurred during the Application Development Stage:

| Description | Example Activities |
|---|---|
| External direct costs of materials and services consumed in developing or obtaining internal-use computer software | • Fees paid to third parties for services provided to develop the computer software during the Application Development Stage<br>• Costs incurred to obtain computer software or hardware from third parties |
| Payroll and payroll-related costs for employees who are directly associated with and devoted time to the internal-use computer software project, to the extent of the time is spent directly on the project | • Hours spent by Information Technology employees on the development of the project<br>• Core Team members, other than Information Technology employees, who have been substantially reassigned from their normal duties to spend time on the development of the project (for a duration of **approximately 80 hours** or more)<br>• Travel expenses incurred by employees in their duties associated with developing software<br>***Important:*** Hours spent by any employee related to general and administrative tasks, such as scheduling projects, hiring personnel, meeting with vendors or performing other administrative functions should not be capitalized. |
| Training materials and other technical documentation | • Preparation of user manuals, computer-based training applications and documentation that relates to the coding or design. |

| | |
|---|---|
| Allowance for Funds Used During Construction (AFUDC) | The project should receive an allocation for AFUDC or Capitalized Interest.<br>***Important***: It **should not** receive overhead allocations, general and administrative costs, maintenance costs or training costs. |

**Post-Implementation/ Operation Stage**

This table lists activities that must be expensed and not capitalized:

| | |
|---|---|
| Support of the Go-Live | • Convert and/or clean up data.<br>• Train end users.<br>• Maintain application after a reasonable Hypercare time period. For most projects, four weeks is considered a reasonable time for hypercare. For larger projects, a request for an extended hypercare period can be approved by Property Accounting. |

**Allocation of third-party costs**

Payments to third parties, incurred during the Application Development Stage, that contain elements of both capital and expense should allocate these costs appropriately to capital or expense based on the standalone selling price of the elements in the contract.

**Alternative development methods**

Technology projects are not always developed utilizing discreet, chronological stages. Some projects will be completed using an agile development method. Instead of a large-scale deliverable at the end of the project, smaller, fully functional product components are developed in sprints, which are typically measured in weeks.

When utilizing the agile development method, it is still required to distinguish the appropriate stage associated with each activity. Costs associated with activities considered preliminary-project and post-implementation stages are required to be expensed. Only costs associated with application development activities can be capitalized.

The established capitalization threshold is applicable to projects developed using the agile method. In aggregate, the entire project should meet the minimum dollar threshold for capitalization ($100,000). Individual components of functionality comprised of one or multiple sprints may be less than $100,000. As individual components are deployed to production, the costs will be unitized to plant-in-service. Each component will have a separate amortization schedule.

**Responsibilities** The table below contains position responsibilities:

| Position | Responsibility |
|---|---|
| **Chief Accounting Officer and Controller** | • Administering this Policy<br>• Reviewing exceptions to this policy that fall under special circumstances<br>***Example***: GAAP requirements |
| **Business Units/Departments** | • Engaging IT for any identified projects for software purchases, developments, or enhancements.<br>• Providing assistance to IT in the preparation of the Application Development Stage – Approval Form |
| **Accounting Research** | • Assisting Property Accounting regarding the proper accounting treatment of software purchases that contain a financing component. |
| **Property Accounting** | • Providing assistance to IT and the Business Units/ Departments to determine the proper treatment of computer software expenditures<br>• Maintaining the Application Development Stage - Approval Form template<br>• Approving exceptions to "Hypercare" guidance |
| **Information Technology (IT)** | • Advising the Business Units/Departments on proposed software projects<br>• Providing adequate documentation to Property Accounting to support:<br>o the stage of each computer software project and<br>o the nature of each capitalizable costs coded to a capital software project during the Application Development Stage<br>o extensions to "hypercare" guidance of four weeks<br>• Discussing any financing arrangements or terms with Property Accounting and Research Accounting <u>prior</u> to executing agreements |
| **Technology Strategic Planning & Portfolio Management** | • Approving and retaining documentation to support the Application Development Stage Approval Form for each project<br>• Verifying that each project has been properly budgeted and approved |

**Document History**

Policy was implemented in January 2003

Below are at least the last three revisions of this document, including all revisions within the last three months.

| Date | By | Description |
|---|---|---|
| 10/2014 | Manager, Accounting Research | Policy was revised to more clearly depict the three stages of computer software development and capitalization criteria for each stage. |
| 12/2018 | Accounting Integration Team | Modified policy to incorporate changes related to integration of legacy Vectren companies. |
| 03/2020 | Property Accounting | Minor updates, including additional references for updated guidance on cloud computing, ASU 2018-15. |
| 07/2021 | Property Accounting | Modified policy to incorporate change in technology department name. Minor formatting changes. |

EXHIBIT MAK-03 IS VOLUMINOUS AND IS BEING PROVIDED IN ELECTRONIC FORMAT ONLY

CenterPoint Energy

Accounting and Control Policies

**Policy Number: 09**

# Construction Overhead Policy

**Policy**

Per the Federal Energy Regulatory Commission (FERC), the cost of construction properly includible in the plant accounts shall include, where applicable, direct and overhead costs. "Overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amount of such overheads reasonably applicable thereto."[1]

CenterPoint applies two types of capital overheads to eligible work order charges, Engineering and Supervision (E&S) and Administrative and General (A&G). Current month capital charges on capital work orders will be loaded with the applicable overheads on a monthly basis.

**Engineering & Supervision Costs (E&S)**

As is common in the utility industry and allowed for by regulation, certain costs related to "engineering and supervision" and "engineering services" are capitalized into utility plant per FERC plant instructions. This "includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents, and their assistants applicable to construction work." This also includes "amounts paid to other companies, firms, or individuals engaged by the utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work."

Engineering and supervision work related to capital work orders but not directly attributable to specific construction jobs have their time charged to an E&S construction overhead pool that is cleared each month over all open construction work orders receiving charge activity.

**Administrative and General Costs (A&G)**

Additionally, certain costs of various administrative and general corporatefunctions are capitalized to construction projects. FERC defines eligible A&G charges as the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work. Functions that are typically included are accounting, legal, HR, payroll, accounts payable, purchasing, etc. Based on time studies or other timing estimations periodically performed, each of these areas determines the approximate amount of time each employee spends supporting the construction program. This study drives an annual amount of A&G charged to an A&G construction overhead pool that is allocated to active construction jobs on a monthly basis.

**Other**

Entities not regulated by state or local commission, local jurisdictions or the Federal Energy Regulatory Commission (FERC) shall follow Generally Accepted Accounting Principles (GAAP) for Construction Overhead. The GAAP guidance states that indirect capital costs that clearly relate to several capital projects should be capitalized and allocated to the capital projects to which the costs relate.[1]

A Company standard survey document shall be used by all Entities to determine, by cost center, the charges to include in COH. The E&S and A&G time surveys are conducted annually.

**E&S Exceptions**

Occasionally, there are projects where internal E&S resources are not utilized in the same manner as a typical internally engineered / supervised work order. In these cases, special consideration is given to these work orders to determine the amount of E&S costs to allocate to that work order, if any at all. As an example, a work order may have all of the engineering and supervision outsourced and those contractor costs are charged directly to the construction work order. As a result, the internal engineering and supervision costs likely should not be allocated to this work order since those costs are not applicable to that project. This policy establishes guidelines when a capital work order is eligible to be exempt or receive an adjustment from the monthly E&S allocation. The Director of Property Accounting will review all E&S Exceptions and make the determination of whether an exemption should be applied. Property Accounting will maintain a list of all exceptions.

E&S is currently defaulted in the capital work order system for most construction capital projects. If a project is eligible to receive an E&S exemption and/or adjustment, the project manager and/or project initiator must request this from Property Accounting during the capital work order initiation process. The project initiator must complete a "Plant E&S Exemption Form" in order to finalize the process. Capital work that is already started will not be eligible for an exemption or adjustment if the question is not raised/addressed with Property Accounting prior to the project receiving its financial authorization.

[1] Per ASC 970-360-25-2 through 25-3.

CenterPoint Energy

**Accounting and Control Policies** **Policy Number: 09**

# Construction Overhead Policy

**A&G Exceptions**

Occasionally, there are large projects that are staffed/organized with their own support team such that the services of the typical functions outlined above are not employed. In these cases, special consideration is given to these projects in determining the amount of A&G costs to allocate to that project. For example, certain large projects may employ a general contractor to manage all sub-contractor activity including bidding, invoice payment and processing, etc. such that corporate purchasing provides no significant service to the project. Another example might include situations where specific outside legal counsel is retained to address project specific issues. All of these costs are charged directly to the construction project and, as a result, the corporate function's costs should likely not be allocated to the project since they are not providing the service.

As mentioned above major projects that have the type of dedicated project support as outlined above are rare. To determine whether a project should be considered a major project, the Director of Property Accounting must be consulted. All projects that are considered a major project or that are projected to incur more than $500,000 must be approved by the Director of Property Accounting prior to the exemption being implemented.

Once determined to be a major project by the project manager and the Property Accounting Director, a flat A&G rate will be applied to the project. It will be incumbent on the project manager to inform Property Accounting of project events that may change its designation as a majorproject. Generally, the rate to be applied to these qualifying projects will be 1% (subject to change). Though the 1% is not directly supported by a time study, it represents a reasonable estimate of the overall support provided by the corporate functions.

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**Purpose**

The purpose of this Construction Overhead Policy is to document the requirements for the inclusion of costs in Construction Overhead. Adherence to this policy is designed to:

- Ensure the integrity of the financial data by recognizing costs in accordance with regulatory and accounting guidance;
- Provide assurance that documentation is retained and available for regulatory purposes; and
- Provide a defined expectation to review costs for compliance.

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CenterPoint Energy

**Accounting and Control Policies** **Policy Number: 09**

# Construction Overhead Policy

**Responsibilities** This table lists the responsibilities for this Policy:

| Position | Responsibility |
|---|---|
| Chief Accounting Officer and Controller | • Administering this Policy |
| Business Services | • Working with the administrative corporate functions to complete time studies or other timing estimations used to develop the A&G rate<br>• Communicating with Business Unit Finance Directors to update the A&G rate as necessary |
| Business Unit Finance Directors | • Distributing the E&S standard survey along with the planning instructions each year during the Strategic Planning process<br>• Determining the cost components of COH each year, within FERC guidelines, taking into consideration the regulatory environment in which the Entity resides<br>• Reviewing the surveys from their respective Business Units for compliance with FERC or GAAP regulations as applicable<br>• Reviewing the cost components submitted on the surveys with the Property Accounting for approval prior to inclusion in the annual planning process<br>• On a regular basis, reviewing and monitoring actual costs included in the COH applicable to their respective Business Unit and shall make any necessary changes to the COH rate |
| Property Accounting | • Maintaining the required documentation for annual external reporting. Per FERC, this information shall include the following:<br>    o the total amount of each overhead for each year<br>    o the amount of each overhead expenditure charged to each construction work order and to each utility plant account<br>    o the basis of distribution of such costs<br>• Calculating, reviewing and monitoring property accounting components of COH and resolving significant or unexplained variances with the respective Business Units.<br>• Working with Business Units and Finance Directors to determine if special overhead rates should be applied to large projects<br>• Maintaining documentation on overhead exceptions |
| Property Accounting Director | • Approving E&S and A&G exceptions on projects greater than $500,000<br>• Reviewing the cost components submitted on the surveys with the Finance Directors |

CenterPoint Energy

Accounting and Control Policies

Policy Number: 09

# Construction Overhead Policy

**Definitions** This table provides definitions of terms used in the policy:

| Term | Definition |
|---|---|
| Administrative & General (A&G) Overhead | Costs of various administrative and general corporate functions that are capitalized to construction projects. These include accounting, human resources, payroll, accounts payable, etc. |
| Business Unit | The functional operating area that maintains and reports operating financial information |
| Capital Order | The order established to capture specific capital costs related to a capital project |
| Company | CenterPoint Energy, Inc. |
| Construction Overhead (COH) | The overhead costs incurred during construction that cannot be more accurately charged directly to a capital order |
| Engineering & Supervision (E&S) Overhead | Engineering and supervision work related to capital work orders but not specifically attributable to specific construction jobs. Includes the pay and expenses of engineers, surveyors, draftsmen, inspectors, etc. |
| Entity | The Company or any corporation, partnership, trust, joint venture, firm, association, unincorporated organization, legal entity, or other enterprise in which the Company holds, directly or indirectly, a greater than 50% control |
| Finance Director | Any Director in Finance who has been assigned ownership and associated responsibilities of one or more Business Units |
| Property Accounting | The department responsible for the accounting and reporting of capitalized Company property, including assets under construction |
| Titles, Offices, and Officers | Those of the Company unless otherwise specified |

**Documentation Requirements** The survey documentation shall be maintained and archived by the Finance Directors to ensure the data is readily available to support audits, rate cases or other regulatory inquiries.

**Compliance** Employees must comply with this policy. Failure to comply with this Policy may result in disciplinary action up to and including termination.

## Document History

**Introduction** This policy was implemented in June 2004.

CenterPoint Energy

Accounting and Control Policies

Policy Number: 09

# Construction Overhead Policy

**Document History**

Below are at least the last three revisions of this document, including all revisions within the last three months.

| Date | By | Description |
|---|---|---|
| 01/2014 | Manager Accounting Research | Update property accounting's responsibilities |
| 12/2018 | Accounting Integration Team | Modified policy to incorporate changes related to integration of legacy Vectren companies. |
| 07/2021 | Property Accounting | Modified policy to incorporate changes related to enterprise integration. |
| 10/2021 | Accounting Research | Clarified what constitutes "time studies" |

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**
**2021 Mobile Generation Accounting**

**Long Term Accounting Entries**

| Line No | Description | Category | FERC Account | General Ledger Account | Regulated Entries (dr/(cr)) Income Statement | Balance Sheet |
|---|---|---|---|---|---|---|
| 1 | Enter into lease agreement | Capital Lease | 1011 | 174996 | | $ 178,774,088 |
| 2 | | Capital Lease Short Term | 1650 | 144010 | | (3,830,395) |
| 3 | | Capital Lease Long Term | 1860 | 188010 | | (24,897,566) |
| 4 | | Capital Lease Long Term Equipment | 1860 | 188010 | | (149,703,583) |
| 5 | | Decommissioning Liability | 2270 | 282010 | | (342,544) |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | Prepay Capital Lease | Cash | 1310 | 111999 | | (178,431,544) |
| 9 | | Lease Expense | 9310 | 572030 | $ 149,703,583 | |
| 10 | | Prepaid O&M Short Term | 1650 | 144010 | | 3,830,395 |
| 11 | | Prepaid O&M Long Term | 1860 | 188010 | | 24,897,566 |
| 12 | | | | | | |
| 13 | Reverse the lease agreement | | | | | |
| 14 | | Capital Lease | 1011 | 174996 | | (178,774,088) |
| 15 | | Capital Lease Short Term | 1650 | 144010 | | 3,830,395 |
| 16 | | Capital Lease Long Term | 1860 | 188010 | | 24,897,566 |
| 17 | | Capital Lease Long Term Equipment | 1860 | 188010 | | 149,703,583 |
| 18 | | Decommissioning Liability | 2270 | 282010 | | 342,544 |
| 19 | | | | | | |
| 20 | Record Decommissioning Liability | | | | | |
| 21 | | Decommissioning Liability | 2270 | 282010 | | (342,544) |
| 22 | | Regulatory Asset | 1823 | 179054 | | 342,544 |
| 23 | | | | | | |
| 24 | Defer lease expense | Lease Expense | 9310 | 572030 | (149,703,583) | |
| 25 | | Regulatory Asset | 1823 | 179054 | | 149,703,583 |
| 26 | | | | | | |
| 27 | Record carrying costs | Debt Carrying Cost | 4190 | 491010 | (11,943) | |
| 28 | | Equity Carrying Cost | 4190 | 491010 | (23,189) | |
| 29 | | Regulatory Asset | 1823 | 179054 | | 35,132 |
| 30 | | | | | | |
| 31 | Incur O&M Expense | Cash | 1310 | 111999 | | (829,795) |
| 32 | | Operating Expense | Various | Various | 829,795 | |
| 33 | | | | | | |
| 34 | Defer O&M expense | Operating Expense | Various | Various | (829,795) | |
| 35 | | Regulatory Asset | 1823 | 179054 | | 829,795 |
| 36 | | | | | | |
| 37 | Record contra for equity | Contra-Regulatory Asset Equity | 1823 | 179058 | | (23,189) |
| 38 | | Contra-Equity Carrying Cost | 4190 | 491010 | 23,189 | |
| 39 | | | | | | |
| 40 | **Total Long-Term Accounting Entries** | | | | $ (11,943) | $ 11,943 |

**Short Term Accounting Entries**

| Line No | Description | Category | FERC Account | General Ledger Account | Regulated Entries (dr/(cr)) Income Statement | Balance Sheet |
|---|---|---|---|---|---|---|
| 41 | Incur lease and O&M expense | Cash | 1310 | 111999 | | $ (20,160,660) |
| 42 | | Lease Expense | 5670 | 574030 | $ 19,882,307 | |
| 43 | | Operating & Maintenance Expense | Various | 531030/572030 | 278,353 | |
| 44 | | | | | | |
| 45 | Defer lease and O&M expense | Lease Expense | 5670 | 574030 | (19,882,307) | |
| 46 | | Operating & Maintenance Expense | Various | 531030/572030 | (278,353) | |
| 47 | | Regulatory Asset | 1823 | 179052 | | 20,160,660 |
| 48 | | | | | | |
| 49 | Record carrying costs | Debt Carrying Cost | 4190 | 491010 | (37,155) | |
| 50 | | Equity Carrying Cost | 4190 | 491010 | (72,144) | |
| 51 | | Regulatory Asset | 1823 | 179052 | | 109,298 |
| 52 | | | | | | |
| 53 | Record contra for equity | Contra-Regulatory Asset Equity | 1823 | 179058 | | (72,144) |
| 54 | | Contra-Equity Carrying Cost | 4190 | 491010 | 72,144 | |
| 55 | | | | | | |
| 56 | **Total Short Term Accounting Entries** | | | | $ (37,155) | $ 37,155 |

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**
**Long-Term Carrying Cost Recognition Comparison**
**Exhibit MAK-06**
**2021 Mobile Generation Long-term**

| Line | | 2021 [1] | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Long Term Regulatory Asset | | | | | | | | | | | |
| 2 | Debt Carrying Cost | $ 11,943 | | | | | | | | | | |
| 3 | Equity Carrying Cost | 23,189 | | | | | | | | | | |
| 4 | Prepayment | 178,431,544 | | | | | | | | | | |
| 5 | Total | $178,466,676 | | | | | | | | | | |
| 6 | | | | | | | | | | | | |
| 7 | Recovery beginning September 1, 2022 | | | | | | | | | | | |
| 8 | 7.5 year straight line | | | | | | | | | | | |
| 9 | Debt Carrying Cost | | $ 531 | $ 1,592 | $ 1,592 | $ 1,592 | $ 1,592 | $ 1,592 | $ 1,592 | $ 1,592 | $ 265 | $ 11,943 |
| 10 | Equity Carrying Cost | | 1,031 | 3,092 | 3,092 | 3,092 | 3,092 | 3,092 | 3,092 | 3,092 | $ 515 | $ 23,189 |
| 11 | Prepayment | | 7,930,291 | 23,790,872 | 23,790,872 | 23,790,872 | 23,790,872 | 23,790,872 | 23,790,872 | 23,790,872 | 3,965,145 | $178,431,544 |
| 12 | Total | | $ 7,931,852 | $ 23,795,557 | $23,795,557 | $23,795,557 | $23,795,557 | $23,795,557 | $23,795,557 | $23,795,557 | $ 3,965,926 | $178,466,676 |
| 13 | | | | | | | | | | | | |
| 14 | Proposed Prioritization | | | | | | | | | | | |
| 15 | Debt Carrying Cost | | $ 11,943 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 11,943 |
| 16 | Equity Carrying Cost | | 23,189 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 23,189 |
| 17 | Prepayment | | 7,896,720 | 23,795,557 | 23,795,557 | 23,795,557 | 23,795,557 | 23,795,557 | 23,795,557 | 23,795,557 | 3,965,926 | $178,431,544 |
| 18 | Total | | $ 7,931,852 | $ 23,795,557 | $23,795,557 | $23,795,557 | $23,795,557 | $23,795,557 | $23,795,557 | $23,795,557 | $ 3,965,926 | $178,466,676 |
| 19 | | | | | | | | | | | | |
| 20 | Difference | | | | | | | | | | | |
| 21 | Debt Carrying Cost | | $ 11,412 | $ (1,592) | $ (1,592) | $ (1,592) | $ (1,592) | $ (1,592) | $ (1,592) | $ (1,592) | $ (265) | $ - |
| 22 | Equity Carrying Cost | | 22,159 | (3,092) | (3,092) | (3,092) | (3,092) | (3,092) | (3,092) | (3,092) | (515) | - |
| 23 | Expenses | | (33,571) | 4,684 | 4,684 | 4,684 | 4,684 | 4,684 | 4,684 | 4,684 | 781 | - |
| 24 | Total | | $ (0) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ - |
| 25 | | | | | | | | | | | | |
| 26 | | | | | | | | | | | | |

**2022 Mobile Generation**

| | 2022 [1] | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Long Term Regulatory Asset | | | | | | | | | | | |
| Estimated Debt Carrying Cost | $ 541,367 | | | | | | | | | | |
| Estimated Equity Carrying Cost | 1,051,172 | | | | | | | | | | |
| Prepayment | - | | | | | | | | | | |
| Total | $ 1,592,539 | | | | | | | | | | |
| | | | | | | | | | | | |
| Recovery beginning September 1, 2022 | | | | | | | | | | | |
| 7.5 year straight line | | | | | | | | | | | |
| Debt Carrying Cost | | $ 24,061 | $ 72,182 | $ 72,182 | $ 72,182 | $ 72,182 | $ 72,182 | $ 72,182 | $ 72,182 | $ 12,030 | $ 541,367 |
| Equity Carrying Cost | | 46,719 | 140,156 | 140,156 | 140,156 | 140,156 | 140,156 | 140,156 | 140,156 | 23,359 | $ 1,051,172 |
| Prepayment | | - | - | - | - | - | - | - | - | - | $ - |
| Total | | $ 70,780 | $ 212,339 | $ 212,339 | $ 212,339 | $ 212,339 | $ 212,339 | $ 212,339 | $ 212,339 | $ 35,390 | $ 1,592,539 |
| | | | | | | | | | | | |
| Proposed Prioritization | | | | | | | | | | | |
| Debt Carrying Cost | | $ 541,367 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 541,367 |
| Equity Carrying Cost | | 1,051,172 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,051,172 |
| Prepayment | | (1,521,759) | 212,339 | 212,339 | 212,339 | 212,339 | 212,339 | 212,339 | 212,339 | 35,390 | $ - |
| Total | | $ 70,780 | $ 212,339 | $ 212,339 | $ 212,339 | $ 212,339 | $ 212,339 | $ 212,339 | $ 212,339 | $ 35,390 | $ 1,592,539 |
| | | | | | | | | | | | |
| Difference | | | | | | | | | | | |
| Debt Carrying Cost | | $ 517,306 | $ (72,182) | $ (72,182) | $ (72,182) | $ (72,182) | $ (72,182) | $ (72,182) | $ (72,182) | $ (12,030) | $ - |
| Equity Carrying Cost | | 1,004,453 | (140,156) | (140,156) | (140,156) | (140,156) | (140,156) | (140,156) | (140,156) | (23,359) | - |
| Expenses | | (1,521,759) | 212,339 | 212,339 | 212,339 | 212,339 | 212,339 | 212,339 | 212,339 | 35,390 | - |
| Total | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ (0) | $ - |

[1] Source: WP Mobile Generation

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**
**Short-term Carrying Cost Recognition Comparison**
**Exhibit MAK-06**
**2021 Mobile Generation Short-term**

| Line | | 2021 [1] | 2022 | 2023 | Total |
|---|---|---|---|---|---|
| 1 | Short Term Regulatory Asset | | | | |
| 2 | Debt Carrying Cost | $ 37,155 | | | |
| 3 | Equity Carrying Cost | 72,144 | | | |
| 4 | Expenses | 20,160,660 | | | |
| 5 | Total | $ 20,269,958 | | | |
| 6 | | | | | |
| 7 | Recovery beginning September 1 2022 | | | | |
| 8 | 12 month straight line | | | | |
| 9 | Debt Carrying Cost | | $ 12,385 | $ 24,770 | $ 37,155 |
| 10 | Equity Carrying Cost | | 24,048 | 48,096 | 72,144 |
| 11 | Expenses | | 6,720,220 | 13,440,440 | 20,160,660 |
| 12 | Total | | $ 6,756,653 | $ 13,513,306 | $ 20,269,958 |
| 13 | | | | | |
| 14 | Proposed Prioritization Carrying Costs First | | | | |
| 15 | Debt Carrying Cost | | $ 37,155 | $ - | $ 37,155 |
| 16 | Equity Carrying Cost | | 72,144 | - | 72,144 |
| 17 | Expenses | | 6,647,354 | 13,513,306 | 20,160,660 |
| 18 | Total | | $ 6,756,653 | $ 13,513,306 | $ 20,269,958 |
| 19 | | | | | |
| 20 | Difference | | | | |
| 21 | Debt Carrying Cost | | $ 24,770 | $ (24,770) | $ - |
| 22 | Equity Carrying Cost | | 48,096 | (48,096) | - |
| 23 | Expenses | | (72,866) | 72,866 | - |
| 24 | Total | | $ (0) | $ (0) | $ - |

**STATE OF TEXAS** §
§
**COUNTY OF HARRIS** §

**AFFIDAVIT OF MARY A. KIRK**

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

1. "My name is Mary A. Kirk. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based on my personal knowledge. My current position is Director of Accounting for CenterPoint Energy Service Company, LLC.

2. The foregoing direct testimony and the attached exhibits have been prepared by me or under my direct supervision and are true and correct to the best of my knowledge."

Further affiant sayeth not.

Mary A. Kirk
Mary A. Kirk

**SUBSCRIBED AND SWORN TO BEFORE ME** on this 17th day of March, 2022.

Alice S Hart
Notary Public in and for the State of Texas

ALICE S HART
NOTARY ID #130321-7
My Commission Expires
July 17, 2023

NOTARY PUBLIC STATE OF TEXAS

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DOCKET NO. ________

| | | |
|---|---|---|
| APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR APPROVAL TO AMEND ITS DISTRIBUTION COST RECOVERY FACTOR | §<br>§<br>§<br>§<br>§ | PUBLIC UTILITY COMMISSION<br><br>OF TEXAS |

**DIRECT TESTIMONY OF**

**JOHN R. DURLAND**

**FOR**

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**

**April 5, 2022**

## TABLE OF CONTENTS

## TABLE OF EXHIBITS AND WORKPAPERS

| **Exhibits** | **Description** |
|---|---|
| Exhibit JRD-1 | Professional Qualifications of John R. Durland |
| Exhibit JRD-2 | Electronic Schedules from Docket No. 49421 |
| Exhibit JRD-3 | History of DCRF Revenue Requirement |
| Exhibit JRD-4 | History of DCRF Charges |
| Exhibit JRD-5 | Revised Tariff Pages – Clean Copy |
| Exhibit JRD-6 | Revised Tariff Pages – Annotated |
| Exhibit JRD-7 | Docket Nos. 44572, 45747, 47032, and 48226 Final Approved Schedule J |

| **Workpapers** (as provided in DCRF-RFP Workpapers) | **Description** |
|---|---|
| WP/Schedule H/1 | Billing Determinants-Rate Case |
| WP/Schedule H/2 | Billing Determinants-DCRF |
| WP/Schedule H/3 | Weather and Year End Customer Adjustments |
| WP/Schedule J/1 | Baseline Rate Case Values |
| WP/Schedule J/2 | Distribution Revenue Growth |
| WP/Schedule J/3 | DCRF Baseline Rate Case Values |

# DIRECT TESTIMONY OF JOHN R. DURLAND

## I. INTRODUCTION AND BACKGROUND

**Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

A. My name is John R. Durland. I am the Director of Rates for CenterPoint Energy Service Company, LLC. My business address is 1111 Louisiana St., Houston, Texas 77002.

**Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

A. Exhibit JRD-1, included with this direct testimony, summarizes my education and professional experience.

**Q. WHAT ARE YOUR PRESENT RESPONSIBILITIES?**

A. My duties include the development and implementation of cost of service, cost allocation, rate design, and tariffs for energy delivery.

**Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

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

**Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS ("COMMISSION")?**

A. Yes. I have previously filed testimony at the Commission in several proceedings. A list of these proceedings is provided in Exhibit JRD-1.

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

A. The purpose of my testimony is to support the application of CenterPoint Houston for a Distribution Cost Recovery Factor ("DCRF") filed pursuant to 16 Tex. Admin. Code

("TAC") §25.243(c). Specifically, I sponsor the calculation of CenterPoint Houston's proposed DCRF rates and the proposed Rider DCRF.

**Q. WHAT EXHIBITS AND WORKPAPERS HAVE YOU INCLUDED WITH YOUR TESTIMONY?**

A. I have prepared or supervised the preparation of the exhibits and workpapers listed in the table of contents.

**Q. WHAT SCHEDULES ARE YOU SPONSORING?**

A. I sponsor Schedules H and J of the Company's DCRF Rate Filing Package ("DCRF-RFP").

**Q. HOW DOES YOUR DIRECT TESTIMONY RELATE TO THE TESTIMONY OF OTHER COMPANY WITNESSES?**

A. I speak directly to the calculation of the DCRF rate, and I sponsor the proposed Rider DCRF. Company witness Mary A. Kirk supports the Company's revenue requirement, the supporting schedules and calculations required by the Commission's DCRF--RFP instructions, and inclusion of amounts for the temporary emergency electric energy facilities which I refer to as "mobile generation facilities" in the Company's DCRF request. Company witness Brad A. Tutunjian sponsors and supports the distribution-related projects included in the DCRF filing. Company witness Martin W. Narendorf Jr. discusses mobile generation facilities included in the DCRF filing.

## II. OVERVIEW OF DCRF RULE

**Q. PLEASE GIVE A GENERAL OVERVIEW OF 16 TAC §25.243.**

A. 16 TAC § 25.243 is the DCRF Rule, which implements Public Utility Regulatory Act ("PURA") §36.210. PURA § 36.210 states that the Commission may approve a rate schedule that may be periodically adjusted based upon changes in the utility's invested capital that are categorized as distribution plant, distribution-related intangible plant, and distribution-related communication equipment. Under the DCRF Rule, an eligible utility can file an application to include a DCRF in its Commission-approved Tariff. The DCRF for each rate class is determined by a formula that reflects changes in Net Distribution Invested Capital, Depreciation Expense, Federal Income Taxes, and Other Taxes adjusted for changes in Distribution Revenue due to growth in billing determinants.

**Q. HAS CENTERPOINT HOUSTON PREVIOUSLY FILED A DCRF APPLICATION?**

A. Yes. The Company has filed four previous DCRF applications in 2015, 2016, 2017 and 2018 in Docket Nos. 44572, 45747, 47032, and 48226, respectively. Those applications addressed investment for the periods January 1, 2010 through December 31, 2014, January 1, 2010 through December 31, 2015, January 1, 2010 through December 31, 2016, and January 1, 2010 through December 31, 2017, respectively. Exhibit JRD-7 contains the final approved DCRF revenues and rates for Docket Nos. 44572, 45747, 47032, and 48226. CenterPoint Houston has not filed for a DCRF since its last comprehensive base rate case Docket No. 49421.

**Q. WHEN WAS THE LAST COMPREHENSIVE BASE RATE PROCEEDING FOR CENTERPOINT HOUSTON?**

A. CenterPoint Houston's last comprehensive base rate case was Docket No. 49421, *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates,* filed on April 5, 2019 and final order issued on March 9, 2020.

**Q. WAS THE DCRF BASELINE APPROVED IN THE LAST COMPREHENSIVE BASE RATE PROCEEDING?**

A. Yes. The test year in Docket No. 49421 ended December 31, 2018 and established the baseline determinations used by the Company to develop its proposed DCRF rates. The parties in Docket No. 49421 entered into a settlement agreement that was approved by the Commission.

**Q. DID THE COMPANY UTILIZE THE BASELINE VALUES APPROVED BY THE COMMISSION IN ITS LAST BASE RATE CASE IN THE DCRF APPLICATION?**

A. Yes. As stated in the Docket No. 49421 Ordering Paragraph #9, CenterPoint Houston must use the baseline values set forth in Exhibit I to the settlement agreement when it files an application for a DCRF under 16 TAC § 25.243. These baseline values are described below.

## III. SCOPE OF DCRF APPLICATION AND PROCEEDING

**Q. PLEASE GIVE A BRIEF DESCRIPTION OF THE AMOUNTS INCLUDED IN CENTERPOINT HOUSTON'S DCRF APPLICATION.**

A. CenterPoint Houston's DCRF application reflects the additions and retirements of distribution investment capital since Docket No. 49421 test year end. As a result, this DCRF application includes distribution invested capital from January 1, 2019 through December 31, 2021. The various schedules and workpapers included in this filing reflect the additions and retirements in distribution invested capital; the appropriate after-tax rate of return; the appropriate depreciation expense, federal income taxes, other associated taxes; as well as the growth in distribution revenues due to billing determinant growth; and the allocation to the customer classes. The total revenue requirement increase requested in this DCRF application is $145,680,810 as shown in column (3) of Schedule J. The revenue requirement increase by customer class is shown in the table below:

**Table 1: DCRF Revenue Requirement**

| Customer Class | DCRF Revenue Requirement |
|---|---|
| Residential | $83,754,841 |
| Secondary <= 10 KVA | $2,187,530 |
| Secondary > 10 KVA | $44,357,339 |
| Primary | $3,440,500 |
| Transmission | $363,258 |
| Lighting | $11,577,342 |

## IV. REQUIREMENTS OF DCRF APPLICATION

**Q. IS THE INFORMATION PROVIDED WITH THE FILING TAKEN FROM THE ACCOUNTS AND RECORDS PRESCRIBED IN THE FEDERAL ENERGY REGULATORY COMMISSION ("FERC") CHART OF ACCOUNTS, PURSUANT TO GENERAL INSTRUCTION NO. 1 OF THE DCRF-RFP?**

A. Yes.

**Q. DOES YOUR TESTIMONY SUPPORT THE REQUIRED SCHEDULES AND WORKPAPERS, AS REQUIRED BY GENERAL INSTRUCTION NO. 2?**

A. Yes. My testimony supports schedules H and J of the Company's DCRF-RFP along with associated workpapers described in the Table of Exhibits and Workpapers. Ms. Kirk sponsors the remaining schedules and workpapers required by General Instruction No. 2.

**Q. PURSUANT TO GENERAL INSTRUCTION NO. 2, ARE THE WORKPAPERS PROVIDED IN NATIVE ELECTRONIC FORMAT INCLUDING ACTIVE EXCEL**

**WORKBOOKS, LINKED, AND WITH ALL FORMULAS, CELL REFERENCES, AND LINKS INTACT?**

A. Yes, except where Excel data was derived from a non-Excel source and was directly entered into the Excel spreadsheet. Otherwise all workbooks are "active" as described in General Instruction No. 2. Additionally, as the schedules sponsored by Ms. Kirk were developed at the same time as my schedules, some values had to be directly entered into the WP/Schedule J Excel sheets. These values have been highlighted and noted in the Excel workpapers.

**Q. ARE THERE ANY OTHER VALUES THAT ARE NOT LINKED WITHIN THE EXCEL SHEETS?**

A. Yes. While the full Docket No. 49421 rate case model has been provided in Exhibit JRD-2, to preserve the integrity of the DCRF schedules, it is necessary to copy relevant data from the Docket No. 49421 schedules into the Schedule J workpapers to serve as the starting point for the fully active, linked, and intact DCRF schedules.

**Q. IN REFERENCE TO GENERAL INSTRUCTION NO. 3, ARE THE COSTS AND RETURN CALCULATED IN COMPLIANCE WITH 16 TAC §25.243?**

A. Yes. The Company has included in its DCRF calculation the costs and return necessary to comply with 16 TAC §25.243.

**Q. CONSISTENT WITH GENERAL INSTRUCTION NO. 5, HAVE THE SCHEDULES THAT YOU ARE SUPPORTING BEEN PREPARED AS NOTED IN THE DCRF-RFP SAMPLE FORMS?**

A. Yes.

**Q. IN ACCORDANCE WITH GENERAL INSTRUCTION NO. 5, NOTE 3, HAVE YOU PROVIDED WORKPAPERS TO SUPPORT THE ALLOCATION METHODS AND WEATHER ADJUSTMENTS?**

A. Yes. WP/Schedule J/3 shows the allocation percentages to the customer classes and WP/Schedule H/2 shows the weather adjustments to billing determinants as required by General Instruction No. 5, Note 3.

**Q. IN ACCORDANCE WITH GENERAL INSTRUCTION NO. 6, HAVE YOU PROVIDED A COPY OF THE DISTRIBUTION SCHEDULES OR AMOUNTS APPROVED IN THE COMPANY'S LAST COMPREHENSIVE BASE RATE PROCEEDING?**

A. Yes. The electronic schedules from Commission Staff's final model in Docket No. 49421 are provided as Exhibit JRD-2. These electronic schedules include both Transmission and Distribution. As the DCRF-RFP requires all Excel workbooks to be "active" and "functioning," it is not possible to break the Transmission schedules out of the Commission Staff's model and still have the model function properly.

**Q. IN ACCORDANCE WITH GENERAL INSTRUCTION NO. 6, HAVE YOU PROVIDED A COMPARISON THAT SUMMARIZES THE DCRF AND DCRF UPDATES APPROVED BY THE COMMISSION SINCE THE COMPANY'S LAST COMPREHENSIVE BASE RATE CASE?**

A. No. This DCRF-RFP requirement is not applicable, because this is the Company's first DCRF filing since its last comprehensive base rate case in Docket No. 49421.

**Q. PURSUANT TO GENERAL INSTRUCTION NO. 7, HAVE YOU PROVIDED A SCHEDULE THAT SHOWS THE HISTORY OF THE DCRF RATES APPROVED IN PREVIOUS DCRF FILINGS?**

A. Yes. Exhibit JRD-4 contains the rates for the four previously filed DCRFs in Docket Nos. 44572, 45747, 47032, and 48226 along with the proposed rates within this DCRF application. Each of these DCRF filings preceded the Company's last comprehensive base rate case in Docket No. 49421.

**Q. HAVE YOU PROVIDED A TARIFF RIDER REFLECTING THE PROPOSED DCRF RATES CALCULATED IN ACCORDANCE WITH THE FORMULA PRESCRIBED IN 16 TAC §25.243?**

A. Yes. Consistent with General Instruction No. 8, the proposed Tariff Rider is included in Exhibits JRD-5 and 6. The DCRF rates reflected in the proposed Tariff Rider are calculated in accordance with the DCRF Rule. The specific calculation is shown in Schedule J of the DCRF-RFP.

**Q. WERE THE BILLING DETERMINANTS USED IN THE DCRF-RFP WEATHER NORMALIZED?**

A. Yes. Per the requirements of 16 TAC §25.243(d) and the definition of the term "weather -normalized" found in subsection (b)(5) of the DCRF rule, the weather data has been normalized for the most recent ten calendar years based on the same methodology utilized in the Company's last general rate case in Docket No. 49421. The weather normalization adjustment can be found in Schedule H, with additional detail in WP/Schedule H/2, and WP/Schedule H/3.

**Q. WHAT RETURN ON INVESTED CAPITAL HAVE YOU USED IN THIS FILING?**

A. 16 TAC §25.243(d)(2) sets forth the return on invested capital that is to be used in the DCRF formula. Subsection (d)(2) states that if the final order approving the rate of return was issued less than three years before the application for a DCRF was filed, the rate of return is the rate of return approved by the Commission in the electric utility's last comprehensive base-rate proceeding per the DCRF Rule. The Order in Docket No. 49421 approved a rate of return of 6.51% and was issued on March 9, 2020, which is less than three years ago. The calculation of the ROR is shown below and in WP/Schedule J/3.2, and yields a rate of return of 6.51%.

| Component | Capital Structure | Cost of Capital | WACC | Pre-Tax WACC |
|---|---|---|---|---|
| Long-Term Debt | 57.50% | 4.38% | 2.52% | 2.52% |
| Common Equity | 42.50% | 9.40% | 4.00% | 5.06% |
| TOTAL | 100% | | 6.51% | 7.58% |

**Q. WHAT IS THE INTENT OF THE GROWTH ADJUSTMENT IN THE DCRF FORMULA?**

A. The growth adjustment is intended to reflect changes in revenue resulting from changes in the number of customers and usage since the Company's last base rate case.[1] Base rates were set to recover an amount of revenue to cover costs based on the number of customers and their associated usage at that time, for which FIT expense is included. Any change in the number of customers and usage will change the amount of revenue collected through base rates, including revenue required to cover current FIT expense. The growth

[1] 16 Texas Admin. Code §25.243(d)(1).

adjustment considers this change in revenue already collected and factors that into the net DCRF revenue requirement.

**Q. HAS THE COMPANY CALCULATED THE GROWTH ADJUSTMENT ACCORDING TO THE DCRF RULE?**

A. Yes. Please see WP-H3.

## V. PROPOSED RIDER DCRF AND EFFECTIVE DATE

**Q. HAVE YOU PREPARED A PROPOSED RIDER DCRF?**

A. Yes. The proposed Rider DCRF is presented in Exhibits JRD-5 and 6. The proposed Rider DCRF appropriately allocates the DCRF Revenue Requirement increase to the customer classes and designs the DCRF rates per the guidance in 16 TAC §25.243(d)(1). The proposed DCRF rates are shown below:

**Table 2: Proposed DCRF Rates**

| Customer Class | Proposed DCRF Rate Effective 9/1/2022 | Per |
|---|---|---|
| Residential | $ 0.002758 | kWh |
| Secondary <= 10 KVA | $ 0.002499 | kWh |
| Secondary > 10 KVA | $ 0.422682 | Billing KVA |
| Primary | $ 0.273246 | Billing KVA |
| Transmission | $ 0.009995 | 4CP KVA |
| Lighting | $ 0.050782 | kWh |

**Q. WHAT IS THE PROPOSED EFFECTIVE DATE OF RIDER DCRF?**

A. Consistent with 16 TAC §25.243(e)(6)(C), CenterPoint Houston requests a system-wide effective date for its DCRF rates of September 1, 2022.

**Q. ARE THE RATES CALCULATED ON A SYSTEM-WIDE BASIS IN ACCORDANCE WITH PURA AND 16 TAC § 25.243(e)(6)(C)?**

A. Yes, they are.

**Q. DOES THE PROPOSED DCRF RATE INCLUDE ANY ADJUSTMENT FOR THE PORTION OF A NON-FUEL RATE RELATING TO THE GENERATION OF ELECTRICITY?**

A. No.

**Q. HAS CENTERPOINT PROPOSED A WHOLESALE DCRF?**

A. No, it has not.

**Q. HOW ARE THE MOBILE GENERATION PROGRAM COSTS ALLOCATED?**

A. The costs associated with the mobile generation program are included with the incremental revenue requirement as shown on Schedule A, Line 15. These costs are allocated in WP-Schedule J-1 based on the customer class percentages presented in WP/Schedule J/3 from Docket No. 49421.

**Q. DID THE USE OF MOBILE GENERATION IMPACT BILLING DETERMINANTS?**

**A.** No. The usage reported to the REPs for billing purposes excluded retail customer usage of the mobile generation facilities.

## VI. <u>SUMMARY AND RECOMMENDATIONS</u>

**Q. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS.**

A. My direct testimony supports the filed Schedule H: Summary of Historic Year Billing Determinants and Schedule J: Rate Design. Both schedules have been prepared per the guidance of the Commission's DCRF Rule as well as the DCRF-RFP, in Excel format with active links. Workpapers have been provided as necessary to effectuate the calculations and adjustments required by the DCRF Rule and described in the DCRF-RFP. Similarly, the Federal Income Taxes and Other Taxes from the previous rate case have been scaled to accurately reflect the values at issue in this DCRF proceeding. The Schedule J calculated rates have been carried over into the new, proposed Rider DCRF. Per 16 TAC §25.243, I recommend that the calculated DCRF rates be approved as filed, and the proposed Rider DCRF be adopted on a system-wide basis, with an effective date of September 1, 2022.

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A. Yes, it does.

**John Durland**
**Director of Rates**
**CenterPoint Energy Service Company, LLC**
**1111 Louisiana Street, Houston, Texas 77002**

**CURRENT RESPONSIBILITIES (2018 – Present)**
Overall responsibilities include the implementation of strategy around cost of service, cost allocation, rate design, and tariffs for electric delivery rates in the ERCOT and Texas jurisdictions and natural gas cost allocation and rate design for CenterPoint Energy natural gas delivery.

**PREVIOUS PROFESSIONAL EMPLOYMENT**
CenterPoint Energy Service Company, LLC, 2016-2018
Manager of Energy Efficiency Compliance

CPS Energy, 2010 – 2016
Energy Efficiency Programs Manager

**EDUCATION**
Texas A&M Kingsville, MBA
Eastern Kentucky University, BBA

**PREVIOUS TESTIMONY:**

**Public Utility Commission of Texas**

**Docket No. 52194** - *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to its Energy Efficiency Cost Recovery Factor*

**Docket No. 50908** - *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to its Energy Efficiency Cost Recovery Factor*

**Docket No. 50653** – *Application of CenterPoint Energy Houston Electric, LLC For Interim Update of Wholesale Transmission Rates*

**Docket No. 49583** – *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to its Energy Efficiency Cost Recovery Factor*

**Docket No. 48420** – *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to its Energy Efficiency Cost Recovery Factor*

**Docket No. 47232** – *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to its Energy Efficiency Cost Recovery Factor*

EXHIBIT JRD-2 IS VOLUMINOUS AND IS BEING PROVIDED IN ELECTRONIC FORMAT ONLY

**Distribution Cost Recovery Factor**
**CenterPoint Energy Houston Electric, LLC**
**Update Period 1/1/2019 - 12/31/2021**
**Sponsor: John Durland**



**HISTORY DCRF REVENUE REQUIREMENT**

| Description | D-38339 DCRF Rule for 2015 | D-44572 Eff. 9-1-2015 | D-45747 Eff. 9-1-2016 | [1]D-47032 Eff. 9-1-2017 | [1]D-47032 Eff. 3-1-2018 | [2]D-48226 Eff. 9-1-2018 | [2]D-48226 Eff. 3-1-2019 | [2]D-48226 Eff. 9-1-2019 | D-49421 Baseline | Proposed Eff. 9-1-2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Residential | $ 233,076,329 | $ 6,899,295 | $ 23,882,175 | $ 8,780,232 | $ 10,096,357 | $ 18,753,168 | $ 24,563,843 | $ 33,795,772 | $ 326,939,916 | $83,754,841 |
| Secondary Less Than or Equal to 10 KVA | $ 9,957,337 | $ 274,345 | $ 949,657 | $ 822,262 | $ 841,984 | $ 849,354 | $ 873,115 | $ 1,343,864 | $ 9,409,374 | $2,187,530 |
| Secondary Greater Than 10 KVA | $ 153,522,920 | $ 4,565,055 | $ 15,802,112 | | | $ 14,239,783 | $ 14,421,772 | $ 22,361,639 | $ 169,859,727 | $44,357,339 |
| Non-IDR | | | | $ 13,632,262 | $ 14,128,718 | | | | | |
| IDR | | | | $ 400,588 | $ 416,068 | | | | | |
| Primary | $ 6,986,824 | $ 213,809 | $ 740,108 | | | $ 670,469 | $ 671,924 | $ 1,047,330 | $ 13,231,986 | $3,440,500 |
| Non-IDR | | | | $ 255,803 | $ 269,089 | | | | | |
| IDR | | | | $ 438,003 | $ 460,842 | | | | | |
| Transmission | $ 1,201,244 | $ 17,983 | $ 62,250 | $ 59,838 | $ 60,182 | $ 56,465 | $ 56,444 | $ 88,091 | $ 2,452,315 | $363,258 |
| Lighting Services | $ 35,799,276 | $ 1,029,512 | $ 3,563,697 | $ 3,400,450 | $ 3,470,425 | $ 3,313,986 | $ 3,149,776 | $ 5,043,003 | $ 43,789,546 | $11,577,342 |
| Total | $ 440,543,931 | $ 13,000,000 | $ 45,000,000 | $ 27,789,438 | $ 29,743,664 | $ 37,883,224 | $ 43,736,875 | $ 63,679,700 | $ 565,682,864 | $ 145,680,810 |
| Source: | D-38339 & WP/Schedule J/3 | D-44572 Exhibit LABK-7 Docket 44572 Settlement Schedule J | D-45747 Schedule J | D- 47032 Schedule J | D- 47032 Schedule J | D- 48226 Schedule J | D- 48226 Schedule J | D- 48226 Schedule J | D-49421 WP/Schedule J/3 | Schedule J |

[1] Includes AMS Reconcilation Refund Docket No. 47364

[2] Includes Settlement TCJA Deferral and Unprotected EDIT

**Distribution Cost Recovery Factor**
**CenterPoint Energy Houston Electric, LLC**
**Update Period 1/1/2019 - 12/31/2021**
**Sponsor: John Durland**



**HISTORY OF DCRF RATES**

| Description: Test Year | 2014 DCRF | 2015 DCRF | 2016 [1]DCRF 9/1/2017 | 2016 [1]DCRF 3/1/2018 | 2017 [2]DCRF 9/1/2018 | 2017 [2]DCRF 3/1/2019 | 2017 [2]DCRF 9/1/2019 | Rate Case 2018 DCRF 4/23/2020 | Proposed 2021 DCRF 9/1/2022 | Billing Unit Per |
|---|---|---|---|---|---|---|---|---|---|---|
| Residential | $0.000241 | $0.000795 | $0.000652 | $0.000624 | $0.000762 | $0.000655 | $0.001145 | $0.000000 | $0.002758 | kWh |
| Secondary Less Than or Equal to 10 KVA | $0.000319 | $0.001061 | $0.001836 | $0.001831 | $0.000964 | $0.000812 | $0.001488 | $0.000000 | $0.002499 | kWh |
| Secondary Greater Than 10 KVA | $0.040087 | $0.136574 | | | $0.127888 | $0.107617 | $0.192072 | $0.000000 | $0.422682 | Billing KVA |
| Non-IDR | | | $0.247880 | $0.247349 | | | | | | |
| IDR | | | $0.264460 | $0.264460 | | | | | | |
| Primary | $0.017653 | $0.060299 | | | $0.057826 | $0.048612 | $0.086847 | $0.000000 | $0.273246 | Billing KVA |
| Non-IDR | | | $0.112709 | $0.112687 | | | | | | |
| IDR | | | $0.113386 | $0.113386 | | | | | | |
| Transmission | $0.000787 | $0.002657 | $0.004977 | $0.004977 | $0.002219 | $0.001865 | $0.003333 | $0.000000 | $0.009995 | 4CP KVA |
| Lighting Services | $0.003375 | $0.011658 | $0.023973 | $0.023973 | $0.012569 | $0.015120 | $0.018877 | $0.000000 | $0.050782 | kWh |
| | | | | | | | | | | |
| Docket Number | 44572 | 45747 | 47032 | 47032 | 48226 | 48226 | 48226 | 49421 | | |
| Effective Date | 9/1/2015 | 9/1/2016 | 9/1/2017 | 3/1/2018 | 9/1/2018 | 3/1/2019 | 9/1/2019 | 4/23/2020 | | |
| Date of Commission Order | 5-Aug-15 | 20-Jul-16 | 28-Jul-17 | 12-Jan-18 | 30-Aug-18 | 30-Aug-18 | 30-Aug-18 | 9-Mar-20 | | |

[1] Includes AMS Reconcilation Refund Docket No. 47364
[2] Includes Settlement TCJA Deferral and Unprotected EDIT

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

## 6.1.1.6.13 RIDER DCRF - DISTRIBUTION COST RECOVERY FACTOR

**APPLICABILITY**
Each Retail Customer connected to the Company's distribution system will be assessed a nonbypassable distribution service charge adjustment pursuant to this rider. The charges derived herein, pursuant to Substantive Rule §25.243, are necessitated by incremental distribution costs not included in the Company's last general rate case proceeding before the Commission.

**MONTHLY RATE**
The REP, on behalf of the Retail Customer, will be assessed this distribution service charge adjustment based on the monthly per unit cost (DCRF) multiplied times the Retail Customer's appropriate monthly billing determinant (kWh, Billing kVA, or 4 CP kVA).

The DCRF shall be calculated for each rate according to the following formula:

**DCRF =**

$$[((DIC_C - DIC_{RC}) * ROR_{AT}) + (DEPR_C - DEPR_{RC}) + (FIT_C - FIT_{RC}) + (OT_C - OT_{RC}) - \sum(DISTREV_{RC\text{-}CLASS} * \%GROWTH_{CLASS})] * ALLOC_{CLASS} / BD_{C\text{-}CLASS}$$

Where:

$DIC_C$ = Current Net Distribution Invested Capital.

$DIC_{RC}$ = Net Distribution Invested Capital from the last comprehensive base-rate proceeding.

$ROR_{AT}$ = After-Tax Rate of Return as defined in Substantive Rule §25.243(d)(2).

$DEPR_C$ = Current Depreciation Expense, as related to Current Gross Distribution Invested Capital, calculated using the currently approved depreciation rates.

$DEPR_{RC}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, from the last comprehensive base-rate proceeding.

$FIT_C$ = Current Federal Income Tax, as related to Current Net Distribution Invested Capital, including the change in federal income taxes related to the change in return on rate base and synchronization of interest associated with the change in rate base resulting from additions to and retirements of distribution plant as used to compute Net Distribution Invested Capital.

$FIT_{RC}$ = Federal Income Tax, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding.

$OT_{C}$ = Current Other Taxes (taxes other than income taxes and taxes associated with the return on rate base), as related to Current Net Distribution Invested Capital, calculated using current tax rates and the methodology from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$OT_{RC}$ = Other Taxes, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$DISTREV_{RC\text{-}CLASS}$ (Distribution Revenues by rate class based on Net Distribution Invested Capital from the last comprehensive base-rate proceeding) = ($DICR_{C\text{-}CLASS}$ * $ROR_{AT}$) + $DEPR_{RC\text{-}CLASS}$ + $FIT_{RC\text{-}CLASS}$ + $OT_{RC\text{-}CLASS}$.

$\%GROWTH_{CLASS}$ (Growth in Billing Determinants by Class) = ($BD_{C\text{-}CLASS}$ – $BDRC\text{-}CLASS$) / $BD_{RCCLASS}$

$DIC_{RC\text{-}CLASS}$ = Net Distribution Invested Capital allocated to the rate class from the last comprehensive base-rate proceeding.

$DEPR_{RC\text{-}CLASS}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$FIT_{RC\text{-}CLASS}$ = Federal Income Tax, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$OT_{RC\text{-}CLASS}$ = Other Taxes, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$ALLOC_{CLASS}$ = Rate Class Allocation Factor approved in the last comprehensive base-rate proceeding, calculated as: total net distribution plant allocated to rate class, divided by total net distribution plant. For situations in which data from the last comprehensive base-rate proceeding are not available to perform the described calculation, the Rate Class Allocation Factor shall be calculated as the total distribution revenue requirement allocated to the rate class (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) divided by the total distribution revenue requirement (less any identifiable amounts

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

explicitly unrelated to Distribution Invested Capital) for all classes as approved by the commission in the electric utility's last comprehensive base-rate case.

The Allocation Factor for each listed rate schedule is as follows:

| | |
|---|---|
| Residential Service | 57.4920% |
| Secondary Service Less Than or Equal to 10 kVA | 1.5016% |
| Secondary Service Greater Than 10 kVA | 30.4483% |
| Primary Service | 2.3617% |
| Transmission Service | 0.2494% |
| Street Lighting Service | 7.9471% |

$BD_{C\text{-}CLASS}$ = Rate Class Billing Determinants (weather-normalized and adjusted to reflect the number of customers at the end of the period) for the 12 months ending on the date used for purposes of determining the Current Net Distribution Invested Capital. For customer classes billed primarily on the basis of kilowatt-hour billing determinants, the DCRF shall be calculated using kilowatt-hour billing determinants. For customer classes billed primarily on the basis of demand billing determinants, the DCRF shall be calculated using demand billing determinants.

$BD_{RC\text{-}CLASS}$ = Rate Class Billing Determinants used to set rates in the last comprehensive base-rate proceeding.

**DCRF EFFECTIVE FOR SCHEDULED METER READ DATES ON AND AFTER SEPTEMBER 1, 2022**

| Rate Class | DCRF Charge | Billing Units |
|---|---|---|
| Residential Service | $ 0.002758 | per kWh |
| Secondary Service Less Than or Equal to 10 kVA | $ 0.002499 | per kWh |
| Secondary Service Greater Than 10 kVA | $ 0.422682 | per Billing kVA |
| Primary Service | $ 0.273246 | per Billing kVA |
| Transmission Service | $ 0.009995 | per 4CP kVA |
| Lighting Services | $ 0.050782 | per kWh |

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

## DETERMINATION OF BILLING DEMAND FOR DISTRIBUTION SYSTEM CHARGES

Secondary Service Greater Than 10 kVA - Determination of Billing kVA. The Billing kVA applicable to the Distribution System Charge shall be the NCP kVA for the current billing month.

Determination of Billing kVA For loads whose maximum NCP kVA established in the 11 months preceding the current billing month is less than or equal to 20 kVA, the Billing kVA applicable to the Distribution System Charge shall be the NCP kVA for the current billing month. For all other loads, the Billing kVA applicable to the Distribution System Charge shall be the higher of the NCP kVA for the current billing month or 80% of the highest monthly NCP kVA established in the 11 months preceding the current billing month (80% ratchet). The 80% ratchet shall not apply to seasonal agricultural Retail Customers.

This rate schedule is subject to the Company's Tariff and Applicable Legal Authorities.

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

**6.1.1.6.13 RIDER DCRF - DISTRIBUTION COST RECOVERY FACTOR**

**APPLICABILITY**
Each Retail Customer connected to the Company's distribution system will be assessed a nonbypassable distribution service charge adjustment pursuant to this rider. The charges derived herein, pursuant to Substantive Rule §25.243, are necessitated by incremental distribution costs not included in the Company's last general rate case proceeding before the Commission.

**MONTHLY RATE**
The REP, on behalf of the Retail Customer, will be assessed this distribution service charge adjustment based on the monthly per unit cost (DCRF) multiplied times the Retail Customer's appropriate monthly billing determinant (kWh, Billing kVA, or 4 CP kVA).

The DCRF shall be calculated for each rate according to the following formula:

**DCRF =**

$$[((DIC_C - DIC_{RC}) * ROR_{AT}) + (DEPR_C - DEPR_{RC}) + (FIT_C - FIT_{RC}) + (OT_C - OT_{RC}) - \sum(DISTREV_{RC\text{-}CLASS} * \%GROWTH_{CLASS})] * ALLOC_{CLASS} / BD_{C\text{-}CLASS}$$

Where:

$DIC_C$ = Current Net Distribution Invested Capital.

$DIC_{RC}$ = Net Distribution Invested Capital from the last comprehensive base-rate proceeding.

$ROR_{AT}$ = After-Tax Rate of Return as defined in Substantive Rule §25.243(d)(2).

$DEPR_C$ = Current Depreciation Expense, as related to Current Gross Distribution Invested Capital, calculated using the currently approved depreciation rates.

$DEPR_{RC}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, from the last comprehensive base-rate proceeding.

$FIT_C$ = Current Federal Income Tax, as related to Current Net Distribution Invested Capital,including the change in federal income taxes related to the change in return on rate base and synchronization of interest associated with the change in rate base resulting from additions to and retirements of distribution plant as used to compute Net Distribution Invested Capital.

$FIT_{RC}$ = Federal Income Tax, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding.

$OT_{C}$ = Current Other Taxes (taxes other than income taxes and taxes associated with the return on rate base), as related to Current Net Distribution Invested Capital, calculated using current tax rates and the methodology from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$OT_{RC}$ = Other Taxes, as related to Net Distribution Invested Capital from the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$DISTREV_{RC\text{-}CLASS}$ (Distribution Revenues by rate class based on Net Distribution Invested Capital from the last comprehensive base-rate proceeding) = ($DICR_{C\text{-}CLASS}$ * $ROR_{AT}$) + $DEPR_{RC\text{-}CLASS}$ + $FIT_{RC\text{-}CLASS}$ + $OT_{RC\text{-}CLASS}$.

$\%GROWTH_{CLASS}$ (Growth in Billing Determinants by Class) = ($BD_{C\text{-}CLASS}$ – $_{BDRC\text{-}CLASS}$) / $BD_{RCCLASS}$

$DIC_{RC\text{-}CLASS}$ = Net Distribution Invested Capital allocated to the rate class from the last comprehensive base-rate proceeding.

$DEPR_{RC\text{-}CLASS}$ = Depreciation Expense, as related to Gross Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$FIT_{RC\text{-}CLASS}$ = Federal Income Tax, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding.

$OT_{RC\text{-}CLASS}$ = Other Taxes, as related to Net Distribution Invested Capital, allocated to the rate class in the last comprehensive base-rate proceeding, and not including municipal franchise fees.

$ALLOC_{CLASS}$ = Rate Class Allocation Factor approved in the last comprehensive base-rate proceeding, calculated as: total net distribution plant allocated to rate class, divided by total net distribution plant. For situations in which data from the last comprehensive base-rate proceeding are not available to perform the described calculation, the Rate Class Allocation Factor shall be calculated as the total distribution revenue requirement allocated to the rate class (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) divided by the total distribution revenue requirement (less any identifiable amounts explicitly unrelated to Distribution Invested Capital) for all classes as approved by the commission in the electric utility's last comprehensive base-rate case.

The Allocation Factor for each listed rate schedule is as follows:

| | |
|---|---|
| Residential Service | 57.4920% |
| Secondary Service Less Than or Equal to 10 kVA | 1.5016% |
| Secondary Service Greater Than 10 kVA | 30.4483% |
| Primary Service | 2.3617% |
| Transmission Service | 0.2494% |
| Street Lighting Service | 7.9471% |

$BD_{C\text{-}CLASS}$ = Rate Class Billing Determinants (weather-normalized and adjusted to reflect the number of customers at the end of the period) for the 12 months ending on the date used for purposes of determining the Current Net Distribution Invested Capital. For customer classes billed primarily on the basis of kilowatt-hour billing determinants, the DCRF shall be calculated using kilowatt-hour billing determinants. For customer classes billed primarily on the basis of demand billing determinants, the DCRF shall be calculated using demand billing determinants.

$BD_{RC\text{-}CLASS}$ = Rate Class Billing Determinants used to set rates in the last comprehensive base-rate proceeding.

**DCRF EFFECTIVE FOR SCHEDULED METER READ DATES ON AND AFTER SEPTEMBER 1, 2022** T

| Rate Class | DCRF Charge | Billing Units |
|---|---|---|
| Residential Service | $ 0.002758 | per kWh |
| Secondary Service Less Than or Equal to 10 kVA | $ 0.002499 | per kWh |
| Secondary Service Greater Than 10 kVA | $ 0.422682 | per Billing kVA |
| Primary Service | $ 0.273246 | per Billing kVA |
| Transmission Service | $ 0.009995 | per 4CP kVA |
| Lighting Services | $ 0.050782 | per kWh |

I

DETERMINATION OF BILLING DEMAND FOR DISTRIBUTION SYSTEM CHARGES

Secondary Service Greater Than 10 kVA - Determination of Billing kVA. The Billing kVA applicable to the Distribution System Charge shall be the NCP kVA for the current billing month.

Determination of Billing kVA For loads whose maximum NCP kVA established in the 11 months preceding the current billing month is less than or equal to 20 kVA, the Billing kVA applicable to the Distribution System Charge shall be the NCP kVA for the current billing month. For all other loads, the Billing kVA applicable to the Distribution System Charge shall be the higher of the NCP kVA for the current billing month or 80% of the highest monthly NCP kVA established in the 11 months preceding the current billing month (80% ratchet). The 80% ratchet shall not apply to seasonal agricultural Retail Customers.

This rate schedule is subject to the Company's Tariff and Applicable Legal Authorities.

## Schedule J: Summary of Distribution Cost Recovery Factor



**Distribution Cost Recovery Factor**
**CenterPoint Energy Houston Electric, LLC**
**Update Period 1/1/2010 - 12/31/2014**
**Sponsor: Matthew A. Troxle**
**Docket No. 44572**
**Summary of Revenue Requirement by Class**

| Class | (1) Cumulative DCRF Revenue by Class | (2) (Plus/Minus) Distrev * Growth Adjustment | (3) = (1) + (2) Adjusted Cumulative DCRF Revenues | (4) Alloc $_{Class}$ | (5) = Total (3) * (4) DCRF Revenues | (6) Billing Units | (7) = (5)/(6) Rate ($) | (8) Units |
|---|---|---|---|---|---|---|---|---|
| Residential | $ - | $ - | | 53.07% | $ 6,899,295 | 28,666,923,745 | 0.000241 | per kWh |
| Secondary <= 10 | $ - | $ - | | 2.11% | $ 274,345 | 859,006,747 | 0.000319 | per kWh |
| Secondary > 10 | $ - | $ - | | 35.12% | $ 4,565,055 | 113,878,584 | 0.040087 | per Billing kVa |
| Primary | $ - | $ - | | 1.64% | $ 213,809 | 12,111,597 | 0.017653 | per Billing kVa |
| Transmission | $ - | $ - | | 0.14% | $ 17,983 | 22,837,179 | 0.000787 | per 4CP kVa |
| Lighting | $ - | $ - | | 7.92% | $ 1,029,512 | 305,056,891 | 0.003375 | per kWh |
| **Total** | $ - | $ - | $ 13,000,000 | 100.00% | $ 13,000,000 | | | |

Reference:

| | |
|---|---|
| (1) Cumulative DCRF Revenue by Class: | WP/Schedule J/1 |
| (2) Distrev * Growth Adjustment: | WP/Schedule J/2 |
| (4) Alloc $_{Class}$: | WP/Schedule J/1 |
| (6) Billing Units : | Schedule H |

**Schedule J: Summary of Distribution Cost Recovery Factor**



**Distribution Cost Recovery Factor**
**CenterPoint Energy Houston Electric, LLC**
**Update Period 1/1/2010 - 12/31/2015**
**Sponsor: Laurie A. Burriddge-Kowalik**
**Docket No. 45747**
**Summary of Revenue Requirement by Class**

| Class | (1) Cumulative DCRF Revenue by Class | (2) (Plus/Minus) Distrev * Growth Adjustment | Adjusted Cumulative DCRF Revenues | (4) Alloc $_{Class}$ | (5) = Total (3) * (4) DCRF Revenues | (6) Billing Units | (7) = (5)/(6) Rate ($) | (8) Units |
|---|---|---|---|---|---|---|---|---|
| Residential | $ - | $ - | | 53.07% | $ 23,882,175 | 30,027,970,677 | 0.000795 | per kWh |
| Secondary <= 10 | $ - | $ - | | 2.11% | $ 949,657 | 895,206,495 | 0.001061 | per kWh |
| Secondary > 10 | $ - | $ - | | 35.12% | $ 15,802,112 | 115,703,873 | 0.136574 | per Billing kVa |
| Primary | $ - | $ - | | 1.64% | $ 740,108 | 12,273,911 | 0.060299 | per Billing kVa |
| Transmission | $ - | $ - | | 0.14% | $ 62,250 | 23,427,710 | 0.002657 | per 4CP kVa |
| Lighting | $ - | $ - | | 7.92% | $ 3,563,697 | 305,688,732 | 0.011658 | per kWh |
| **Total** | $ - | $ - | $ 45,000,000 | 100.00% | $ 45,000,000 | | | |

Reference:

| | |
|---|---|
| (1) Cumulative DCRF Revenue by Class: | WP/Schedule J/1 |
| (2) Distrev * Growth Adjustment: | WP/Schedule J/2 |
| (4) Alloc $_{Class}$: | WP/Schedule J/1 |
| (6) Billing Units : | Schedule H |

CenterPoint Energy Houston Electric, LLC

Schedule J: Summary of Distribution Cost Recovery Factor
Final Settlement Docket 47032/Docket 47364

Exhibit JRD-7



**Distribution Cost Recovery Factor**
**CenterPoint Energy Houston Electric, LLC**
**Update Period 1/1/2010 - 12/31/2016**
**Sponsor: Laurie A. Burridge-Kowalik**
**Docket No. 47032**
**Summary of Revenue Requirement by Class**

| Class | (1) Cumulative DCRF Revenue by Class | (2) (Plus/Minus) Distrev * Growth Adjustment | (3) = (1) + (2) Adjusted Cumulative DCRF Revenues | (4) Alloc $_{Class}$ | (5) = Total (3) * (4) DCRF Revenues | AMS Reconciliation | Revenue Requirement | (6) Billing Units | (7) = (5)/(6) Rate ($) | (8) Units |
|---|---|---|---|---|---|---|---|---|---|---|
| Residential | | | | 53.07% | $ 46,045,287 | $ (26,701,739) | $ 19,343,548 | 29,652,012,330 | 0.000652 | per kWh |
| Secondary <= 10 | | | | 2.11% | $ 1,830,957 | $ (164,049) | $ 1,666,908 | 907,683,695 | 0.001836 | per kWh |
| Secondary > 10 - Total | | | | 35.12% | $ 30,466,772 | | | 115,203,905 | | |
| Non-IDR - 97.3% (7) | | | | | $ 29,650,117 | $ (1,858,809) | $ 27,791,308 | 112,115,889 | 0.247880 | per Billing kVa |
| IDR - 2.7% (7) | | | | | $ 816,655 | $ - | $ 816,655 | 3,088,016 | 0.264460 | per Billing kVa |
| Primary - Total | | | | 1.64% | $ 1,426,942 | | | 12,584,831 | | |
| Non-IDR - 37.0% (7) | | | | | $ 528,097 | $ (3,154) | $ 524,943 | 4,657,520 | 0.112709 | per Billing kVa |
| IDR - 63.0% (7) | | | | | $ 898,845 | $ - | $ 898,845 | 7,927,311 | 0.113386 | per Billing kVa |
| Transmission | | | | 0.14% | $ 120,020 | $ - | $ 120,020 | 24,113,440 | 0.004977 | per 4CP kVa |
| Lighting | | | | 7.92% | $ 6,870,875 | $ - | $ 6,870,875 | 286,605,204 | 0.023973 | per kWh |
| **Total** | | | $ 86,760,854 | 100.00% | $ 86,760,854 | $ (28,727,751) | $ 58,033,103 | | | |

CenterPoint Energy Houston Electric, LLC

Schedule J: Summary of Distribution Cost Recovery Factor
Final Settlement Docket 47032/Docket 47364

Exhibit JRD-7



| September 2017 - Feb 2018 | DCRF Revenues | AMS Reconciliation | Revenue Requirement |
|---|---|---|---|
| Residential | $ 20,900,421 | $ (12,120,189) | $ 8,780,232 |
| Secondary <= 10 | $ 903,185 | $ (80,923) | $ 822,262 |
| Secondary > 10 - Total | | | |
| Non-IDR - 0.0% (7) | $ 14,544,050 | $ (911,788) | $ 13,632,262 |
| IDR - 0.0% (7) | $ 400,588 | $ - | $ 400,588 |
| Primary - Total | | | |
| Non-IDR - 0.0% (7) | $ 257,339 | $ (1,537) | $ 255,803 |
| IDR - 0.0% (7) | $ 438,003 | $ - | $ 438,003 |
| Transmission | $ 59,838 | $ - | $ 59,838 |
| | | | $ - |
| Lighting | $ 3,400,450 | $ - | $ 3,400,450 |
| **Total Sept 2017-Feb 2018** | $ 40,903,875 | $ (13,114,437) | $ 27,789,438 |

CenterPoint Energy Houston Electric, LLC

**Schedule J: Summary of Distribution Cost Recovery Factor**
**Final Settlement Docket 47032/Docket 47364**

Exhibit JRD-7



| March 2018 - August 2018 | DCRF Revenues | AMS Reconciliation | Revenue Requirement | AMS Recon Settlement | Adjusted Rev Require | Billing Units | Rate | Units |
|---|---|---|---|---|---|---|---|---|
| Residential | $25,144,866 | $ (14,581,550) | $ 10,563,316 | $ (466,959) | $ 10,096,357 | 16,192,664,593 | 0.000624 | per kWh |
| Secondary <= 10 | $927,772 | $ (83,126) | $ 844,646 | $ (2,662) | $ 841,984 | 459,936,176 | 0.001831 | per kWh |
| Secondary > 10 - Total | | | | | | | | |
| Non-IDR - 0.0% (7) | $15,106,067 | $ (947,021) | $ 14,159,046 | $ (30,327) | $ 14,128,718 | 57,120,522 | 0.247349 | per Billing kVa |
| IDR - 0.0% (7) | $416,068 | $ - | $ 416,068 | $ - | $ 416,068 | 1,573,275 | 0.264460 | per Billing kVa |
| Primary - Total | | | | | | | | |
| Non-IDR - 0.0% (7) | $270,758 | $ (1,617) | $ 269,141 | $ (52) | $ 269,089 | 2,387,931 | 0.112687 | per Billing kVa |
| IDR - 0.0% (7) | $460,842 | $ - | $ 460,842 | $ - | $ 460,842 | 4,064,366 | 0.113386 | per Billing kVa |
| Transmission | $60,182 | $ - | $ 60,182 | $ - | $ 60,182 | 12,091,222 | 0.004977 | per 4CP kVa |
| Lighting | $3,470,425 | $ - | $ 3,470,425 | $ - | $ 3,470,425 | 144,762,034 | 0.023973 | per kWh |
| **Total Mar 2018 - Aug 2018** | $45,856,979 | $ (15,613,314) | $ 30,243,664 | $ (500,000) | $ 29,743,664 | | | |
| **Total** | $86,760,854 | $ (28,727,751) | $ 58,033,103 | $ (500,000) | $ 57,533,103 | | | |
| Total AMS Refund | | | | $ (29,227,751) | | | | |

**Reference:**

| | |
|---|---|
| (1) Cumulative DCRF Revenue by Class: | WP/Schedule J/1 |
| (2) Distrev * Growth Adjustment: | WP/Schedule J/2 |
| (4) Alloc $_{Class}$: | WP/Schedule J/1 |
| (6) Billing Units : | Schedule H |
| (7) IDR/Non-IDR: | WP/Settlement Schedule J/3 |

**DCRF Revenues Settlement (3)**

| | |
|---|---|
| DCRF | $ 92,508,153 |
| Prior DCRF Refund | $ 2,947,299 |
| DCRF Settlement Reduction | $ 2,800,000 |
| DCRF Revenue Requirement | $ 86,760,854 |

**AMS Reconciliation**

| | |
|---|---|
| Residential | $ (26,701,739) |
| Secondary <= 10 | $ (164,049) |
| Secondary > 10 - Total Non-IDR | $ (1,858,809) |
| Primary - Total Non-IDR | $ (3,154) |
| **Total** | $ (28,727,751) |
| Settlement adjustment Dk 47364 | $ (500,000) |
| Total AMS Recon Refund | $ (29,227,751) |

**Schedule J: Summary of Distribution Cost Recovery Factor**
**Docket No. 48226 - Settlement and Reconciliation (Effective 9/1/2018 and 3/1/2019)**

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

**Summary of Revenue Requirement by Class (Effective Sept 2018 - Feb 2019) - Settlement**

| | (1) Cumulative DCRF Revenue by Class | (2) (Plus/Minus) Distrev * Growth Adjustment | (3) = (1) + (2) Adjusted Cumulative DCRF Revenues | (4) Alloc Class | (5) = Total (3) * (4) Net DCRF Revenues | Settlement TCJA Deferral | Unprotected EDIT | DCRF | (6) Billing Units | (7) = (5)/(6) Rate ($) | (8) Units |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Residential | $ - | $ - | | 53.07% | $ 22,502,342 | $ (10,614,300) | $ (10,200,369) | $ 43,317,011 | 29,513,574,664 | 0.000762 | per kWh |
| Secondary <= 10 | $ - | $ - | | 2.11% | $ 894,789 | $ (422,070) | $ (405,610) | $ 1,722,469 | 928,256,194 | 0.000964 | per kWh |
| Secondary > 10 | $ - | $ - | | 35.12% | $ 14,889,119 | $ (7,023,161) | $ (6,749,275) | $ 28,661,555 | 116,423,346 | 0.127888 | per Billing kVa |
| Primary | $ - | $ - | | 1.64% | $ 697,347 | $ (328,937) | $ (316,109) | $ 1,342,393 | 12,059,474 | 0.057826 | per Billing kVa |
| Transmission | $ - | $ - | | 0.14% | $ 58,654 | $ (27,667) | $ (26,588) | $ 112,909 | 26,426,924 | 0.002219 | per 4CP kVa |
| Lighting | $ - | $ - | | 7.92% | $ 3,357,798 | $ (1,583,865) | $ (1,522,098) | $ 6,463,762 | 267,155,948 | 0.012569 | per kWh |
| **Total** | $ - | $ - | $ 42,400,049 | 100.00% | $ 42,400,049 | $ (20,000,000) | $ (19,220,050) | $ 81,620,099 | | | |

**September 2018 - Feb 2019 Revenue Requirement**

| | Net DCRF Revenue | Settlement TCJA Deferral | Unprotected EDIT | DCRF |
|---|---|---|---|---|
| Residential | $ 9,741,905 | $ (4,595,233) | $ (4,416,030) | $ 18,753,168 |
| Secondary <= 10 | $ 441,223 | $ (208,124) | $ (200,008) | $ 849,354 |
| Secondary > 10 | $ 7,397,289 | $ (3,489,283) | $ (3,353,210) | $ 14,239,783 |
| Primary | $ 348,296 | $ (164,290) | $ (157,883) | $ 670,469 |
| Transmission | $ 29,332 | $ (13,836) | $ (13,296) | $ 56,465 |
| Lighting | $ 1,721,551 | $ (812,051) | $ (780,383) | $ 3,313,986 |
| **Total** | $ 19,679,596 | $ (9,282,818) | $ (8,920,811) | $ 37,883,224 |

October 2018 TCJA Deferral True-up (Effective March 2019 - August 2019)

| | Net DCRF Revenue | True-Up TCJA Deferral | Settlement TCJA Deferral | Total TCJA Deferral | Unprotected EDIT | DCRF | Billing Units | Rate ($) |
|---|---|---|---|---|---|---|---|---|
| Residential | $ 10,965,735 | $ (1,794,703) | $ (6,019,067) | $ (7,813,770) | $ (5,784,339) | $ 24,563,843 | 16,736,307,554 | 0.000655 |
| Secondary <= 10 | $ 382,201 | $ (71,365) | $ (213,946) | $ (285,311) | $ (205,603) | $ 873,115 | 470,530,512 | 0.000812 |
| Secondary > 10 | $ 6,304,329 | $ (1,187,500) | $ (3,533,878) | $ (4,721,378) | $ (3,396,065) | $ 14,421,772 | 58,581,295 | 0.107617 |
| Primary | $ 293,434 | $ (55,618) | $ (164,647) | $ (220,265) | $ (158,226) | $ 671,924 | 6,036,274 | 0.048612 |
| Transmission | $ 24,643 | $ (4,678) | $ (13,831) | $ (18,509) | $ (13,291) | $ 56,444 | 13,211,007 | 0.001865 |
| Lighting | $ 1,368,442 | $ (267,805) | $ (771,814) | $ (1,039,619) | $ (741,715) | $ 3,149,776 | 130,184,466 | 0.010512 |
| Total | $ 19,338,784 | $ (3,381,669) | $ (10,717,182) | $ (14,098,852) | $ (10,299,239) | $ 43,736,875 | | |
| Annual Totals | $ 39,018,380 | $ (3,381,669) | $ (20,000,000) | $ (23,381,669) | $ (19,220,050) | $ 81,620,099 | | |
| Check Totals | $ - | $ - | $ - | $ - | $ - | $ - | | |

Reference:

| | |
|---|---|
| (1) Cumulative DCRF Revenue by Class: | WP/Schedule J/1 |
| (2) Distrev * Growth Adjustment: | WP/Schedule J/2 |
| (4) Alloc $_{Class}$: | WP/Schedule J/1 |
| (6) Billing Units : | Schedule H, WP/ Schedule H/3, WP/Schedule H/4 |

**Settlement**

| | |
|---|---|
| Revenue Required Filed | $ 145,832,850 |
| Less Load Adjustment | $ (63,212,749) |
| Adjusted Revenue Requirement Filed | $ 82,620,101 |
| Less TCJA Defferal | $ (20,000,000) |
| Less Unprotected EDIT | $ (19,220,050) |
| Less DCRF Ajustments | $ (1,000,002) |
| Settlement | $ 42,400,049 |

| TCJA Deferral True-up | | Reference |
|---|---|---|
| Amount Programmed | $ (20,000,000) | Settlement Docket 48226 |
| Final Amount | $ (23,381,669) | WP/Schedule J/3 |
| Reconciling Amount | $ (3,381,669) | True-up Amount |

Schedule J: Summary of Distribution Cost Recovery Factor
Docket No. 48226 - Settlement (Effective 9/1/2019)

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

Summary of Revenue Requirement by Class

| Class | (1) Cumulative DCRF Revenue by Class | (2) (Plus/Minus) Distrev * Growth Adjustment | (3) = (1) + (2) Adjusted Cumulative DCRF Revenues | (4) Alloc $_{Class}$ | (5) = Total (3) * (4) DCRF Revenues | (6) Billing Units | (7) = (5)/(6) Rate ($) | (8) Units |
|---|---|---|---|---|---|---|---|---|
| Residential | $ - | $ - | | 53.07% | $ 33,795,772 | 29,513,574,664 | 0.001145 | per kWh |
| Secondary <= 10 | $ - | $ - | | 2.11% | $ 1,343,864 | 928,256,194 | 0.001448 | per kWh |
| Secondary > 10 | $ - | $ - | | 35.12% | $ 22,361,639 | 116,423,346 | 0.192072 | per Billing kVa |
| Primary | $ - | $ - | | 1.64% | $ 1,047,330 | 12,059,474 | 0.086847 | per Billing kVa |
| Transmission | $ - | $ - | | 0.14% | $ 88,091 | 26,426,924 | 0.003333 | per 4CP kVa |
| Lighting | $ - | $ - | | 7.92% | $ 5,043,003 | 267,155,948 | 0.018877 | per kWh |
| Total | $ - | $ - | $ 63,679,700 | 100.00% | $ 63,679,700 | | | |

Reference:

| | |
|---|---|
| (1) Cumulative DCRF Revenue by Class: | WP/Schedule J/1 |
| (2) Distrev * Growth Adjustment: | WP/Schedule J/2 |
| (4) Alloc $_{Class}$: | WP/Schedule J/1 |
| (6) Billing Units : | Schedule H |

**STATE OF TEXAS** §
§
**COUNTY OF HARRIS** §

**AFFIDAVIT OF JOHN R. DURLAND**

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

1. "My name is John R. Durland. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based on my personal knowledge. My current position is Director of Rates for CenterPoint Energy Service Company, LLC.

2. The foregoing direct testimony and the attached exhibits have been prepared by me or under my direct supervision and are true and correct to the best of my knowledge."

Further affiant sayeth not.

John R. Durland

**SUBSCRIBED AND SWORN TO BEFORE ME** on this 17th day of March, 2022.

Notary Public in and for the State of Texas

ALICE S HART
NOTARY ID #130321-7
My Commission Expires
July 17, 2023

# DCRF APPLICATION FORM SCHEDULES

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| | | (1) | (2) | (3) |
|---|---|---|---|---|
| Line No. | Description | Total Approved Docket No. 49421 Final Order | Annual Change | Revenue Requirement (3) = (1) + (2) |
| 1 | Operation & Maintenance Expense, Including A&G [1] | $ 492,537,191 | $ - | $ 492,537,191 |
| 2 | Depreciation & Amortization [1][2] | 274,135,753 | 44,935,100 | 319,070,853 |
| 3 | Taxes Other Than Income Taxes [1][3] | 237,363,464 | 15,184,025 | 252,547,489 |
| 4 | Federal Income Tax [1][4] | 19,507,338 | 10,983,574 | 30,490,913 |
| 5 | Return on Rate Base [1][5] | 243,667,091 | 67,415,473 | 311,082,564 |
| 6 | | | | |
| 7 | Total Revenue Requirement | $ 1,267,210,838 | $ 138,518,172 | $ 1,405,729,009 |
| 8 | | | | |
| 9 | Other Revenues [1] | (30,591,898) | - | (30,591,898) |
| 10 | | | | |
| 11 | Total DCRF | **$ 1,236,618,940** | **$ 138,518,172** | **$ 1,375,137,111** |
| 12 | | | | |
| 13 | Mobile Generation [6] | - | 59,903,845 | 59,903,845 |
| 14 | | | | |
| 15 | Total DCRF and Mobile Generation | **$ 1,236,618,940** | **$ 198,422,017** | **$ 1,435,040,956** |
| 16 | | | | |
| 17 | [Note 1] Schedules and workpapers may have slight variances due to rounding. | | | |
| 18 | [1] From: Docket No. 49421 Settlement, Exhibit I | | | |
| 19 | [2] From: Schedule E-1 | | | |
| 20 | [3] From: Schedule E-2 | | | |
| 21 | [4] From: Schedule E-3 | | | |
| 22 | [5] From: Schedule B | | | |
| 23 | [6] From: Schedule Mobile Generation | | | |

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| | | (1) | (2) | (3) |
|---|---|---|---|---|
| Line No. | Description | Balance Approved Docket No. 49421 Final Order | Balance as of End of Update Period | Increase in Rate Base and Return (3) = (2) - (1) |
| 1 | Direct Assigned: | | | |
| 2 | Plant in Service [(1)] | $ 7,437,681,280 | $ 8,912,063,643 | $ 1,474,382,362 |
| 3 | Accumulated Depreciation [(2)] | (2,780,269,081) | (3,156,677,602) | (376,408,521) |
| 4 | Net Plant in Service | **$ 4,657,412,199** | **$ 5,755,386,041** | **$ 1,097,973,841** |
| 5 | | | | |
| 6 | Allocated Plant Accounts - Net [(*)(3)] | 282,137,279 | 282,137,279 | - |
| 7 | | | | |
| 8 | CWIP [(*)(3)] | - | - | - |
| 9 | | | | |
| 10 | Working Capital: | | | |
| 11 | Plant Held for Future Use [(*)(3)] | 772,653 | 772,653 | - |
| 12 | Accumulated Provisions [(*)(3)] | (6,226,129) | (6,226,129) | - |
| 13 | Accumulated Deferred Federal Income Tax (ADFIT) [(4)] | (697,011,107) | (776,918,887) | (79,907,779) |
| 14 | Protected Excess Deferred Income Tax (EDIT Reg Liability) [(5)] | (594,045,905) | (576,544,024) | 17,501,881 |
| 15 | Materials and Supplies [(*)(3)] | 64,133,551 | 64,133,551 | - |
| 16 | Cash Working Capital [(*)(3)] | 20,386,609 | 20,386,609 | - |
| 17 | Prepayments [(*)(3)] | 91,994,090 | 91,994,090 | - |
| 18 | Other | | | |
| 19 | Customer Deposits & Advances [(*)(3)] | - | - | - |
| 20 | Reg Assets [(*)(3)] | 83,536,310 | 83,536,310 | - |
| 21 | Reg Liabilities [(*)(3)] | (53,688,435) | (53,688,435) | - |
| 22 | Subtotal | **$ (1,090,148,364)** | **$ (1,152,554,262)** | **$ (62,405,898)** |
| 23 | | | | |
| 24 | Total Rate Base | **$ 3,849,401,115** | **$ 4,884,969,057** | **$ 1,035,567,943** [(8)] |
| 25 | | | | |
| 26 | Rate of Return [(*)(3)(6)] | | | [(Note 1)] 6.51% |
| 27 | | | | |
| 28 | Return on Rate Base [(Note 2)(7)] | **$ 243,667,091** | | **$ 67,415,473** |
| 29 | | | | |

30 [(*)] Per the provisions of Substantive Rule 25.243(d)(2).
31 [(Note 1)] Weighted rate of return calculated based upon P.U.C. Subst. R. 25.243(d)(2)
32 [(Note 2)] Will not foot properly due to the different rates between the baseline and approved Docket No. 49421 rate of return. The return on
33 rate base was only calculated for the incremental Rate Base.
34 [(1)] From: Schedule B-1
35 [(2)] From: Schedule B-5
36 [(3)] From: Docket No. 49421 Settlement, Exhibit I
37 [(4)] From: Schedule E-3.10, Line 11
38 [(5)] From: Schedule E-3.11, Line 4, Column 2
39 [(6)] From: WP Rate of Return
40 [(7)] To: Schedule A
41 [(8)] To: WP E-3.1

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| | | | (1) | (2) | (3) | (4) |
|---|---|---|---|---|---|---|
| Line No. | Category | Account No. & Description | Balance approved in Docket No. 49421 (1) | Additions since Docket No. 49421 (2) | Retirements & Adjustments since Docket No. 49421 (3) | Balance at End of Period (4) = (1) + (2) + (3) |
| 1 | **Intangible Plant** (Note 1) | 30302-5: Intangible EFM Equipment (5 Yrs) | $ 131,541,440 | $ 25,533,069 | $ (107,039,299) | $ 50,035,210 |
| 2 | (Note 1) | 30302-7: Intangible EFM Equipment (7 Yrs) | 37,557,788 | 1,047,673 | 22,261,838 | 60,867,299 |
| 3 | (Note 1) | 30302-10: Intangible EFM Equipment (10 Yrs) | 82,128,295 | 126,717,712 | (71,202,424) | 137,643,583 |
| 4 | (Note 1) | 30302-15: Intangible EFM Equipment (15 Yrs) | - | 18,972,775 | 114,171,023 | 133,143,798 |
| 5 | (Note 1) | Subtotal | **$ 251,227,523** | **$ 172,271,228** | **$ (41,808,862)** | **$ 381,689,890** |
| 6 | | | | | | |
| 7 | **Transmission Plant** | 35201: Structures and improvements | 7,015,209 | 6,998,091 | (320) | 14,012,980 |
| 8 | | 35301: Station Equipment | 77,609,094 | 28,100,699 | 3,196,825 | 108,906,618 |
| 9 | | Subtotal | **$ 84,624,302** | **$ 35,098,790** | **$ 3,196,505** | **$ 122,919,597** |
| 10 | | | | | | |
| 11 | **Distribution Plant** | 36001: Land Owned in Fee | 10,234,974 | 14,652,969 | - | 24,887,943 |
| 12 | | 36002: Land and Land Rights | 1,114,928 | - | - | 1,114,928 |
| 13 | | 36101: Structures and Improvements | 68,857,255 | 27,950,457 | (522,844) | 96,284,868 |
| 14 | | 36201: Station Equipment | 758,043,955 | 109,686,073 | (15,848,791) | 851,881,237 |
| 15 | | 36401: Poles,Towers & Fixtures | 833,783,000 | 237,330,042 | (38,201,154) | 1,032,911,888 |
| 16 | | 36501: O.H. Conductors & Devices | 1,006,923,000 | 205,436,516 | (38,360,784) | 1,173,998,732 |
| 17 | | 36601: Underground Conduits | 588,107,000 | 119,206,752 | (3,748,893) | 703,564,859 |
| 18 | | 36701: U.G. Conductors & Devices | 1,066,097,000 | 225,231,070 | (24,526,986) | 1,266,801,084 |
| 19 | | 36801: Line Transformers | 1,376,114,000 | 311,158,407 | (101,234,578) | 1,586,037,829 |
| 20 | | 36901: Services | 200,437,000 | 31,001,247 | (1,863,261) | 229,574,986 |
| 21 | | 37001: Meters | 78,336,000 | 5,755,268 | (6,158,478) | 77,932,790 |
| 22 | | 37003: Automated Meters | 111,787,000 | 73,204,712 | (2,207,262) | 182,784,449 |
| 23 | | 37301: Street Lights | 604,289,000 | 117,880,577 | (12,778,974) | 709,390,603 |
| 24 | | 37302: Security Lighting | 13,210,000 | 1,408,502 | (838,574) | 13,779,929 |
| 25 | | 37401: Security Lighting | - | (1,427) | 1,449 | 22 |
| 26 | | Subtotal | **$ 6,717,334,112** | **$ 1,479,901,163** | **$ (246,289,130)** | **$ 7,950,946,145** |
| 27 | | | | | | |
| 28 | **General Plant** | 39101: Office furniture and equipment | 10,256,950 | 2,981,532 | (1,367,301) | 11,871,181 |
| 29 | | 39701: Microwave Equipment | 271,100,699 | 88,950,119 | (2,672,446) | 357,378,371 |
| 30 | | 39702: Computer Equipment | 119,646,634 | 16,810,145 | (32,689,380) | 103,767,399 |
| 31 | | Subtotal | **$ 401,004,283** | **$ 108,741,795** | **$ (36,729,128)** | **$ 473,016,951** |
| 32 | | | | | | |
| 33 | | Docket No. 49421 Adjustments: Docket No. 49421 Adjustmer | (16,508,941) | - | - | (16,508,941) |
| 34 | | | **$ (16,508,941)** | **$ -** | **$ -** | **$ (16,508,941)** |

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| | | | (1) | (2) | (3) | (4) |
|---|---|---|---|---|---|---|
| Line No. | Category | Account No. & Description | Balance approved in Docket No. 49421 [(1)] | Additions since Docket No. 49421 [(2)] | Retirements & Adjustments since Docket No. 49421 [(3)] | Balance at End of Period (4) = (1) + (2) + (3) |
| 35 | | | | | | |
| 36 | | Total | **$ 7,437,681,280** [(4)] | **$ 1,796,012,977** | **$ (321,630,615)** | **$ 8,912,063,643** [(4)] |
| 37 | | | | | | |
| 38 | [(Note 1)] Asset class 303.02 from Exhibit I has been expanded according to the approved depreciation rate on Docket No. 49421 Exhibit F. | | | | | |
| 39 | [(1)] From: Docket No. 49421 Settlement, Exhibit I | | | | | |
| 40 | [(2)] From: WP B-1.1 Additions | | | | | |
| 41 | [(3)] From: WP B-1.1 Summary, Column 3 and 4 | | | | | |
| 42 | [(4)] To: Schedule B | | | | | |

| Line No. | Category | Account No. & Description | (1) Balance approved in Docket No. 49421 (1)(2) | (2) Depreciation Expense since Docket No. 49421 (2) | (3) Retirement/Adjustments since Docket No. 49421 (2) | (4) Balance @ End of Period (4) = (1) + (2) + (3) |
|---|---|---|---|---|---|---|
| | Distribution Cost Recovery Factor | | | | | |
| | CenterPoint Energy Houston Electric | | | | | |
| | Update Period January 1, 2019 - December 31, 2021 | | | | | |
| | Sponsor: Mary A. Kirk | | | | | |
| 1 | **Distribution Accumulated Depreciation** | | | | | |
| 2 | **Intangible Plant** (Note 1) | 30302-5: Intangible EFM Equipment (5 Yrs) | $ (73,764,746) | $ (52,754,601) | $ 98,619,867 | $ (27,899,480) |
| 3 | (Note 1) | 30302-7: Intangible EFM Equipment (7 Yrs) | (32,994,959) | (5,225,368) | (16,072,489) | (54,292,815) |
| 4 | (Note 1) | 30302-10: Intangible EFM Equipment (10 Yrs) | (23,516,352) | (37,207,060) | 1,545,651 | (59,177,761) |
| 5 | (Note 1) | 30302-15: Intangible EFM Equipment (15 Yrs) | - | (9,886,243) | (8,052,516) | (17,938,759) |
| 6 | (Note 1) | Subtotal | **$ (130,276,057)** | **$ (105,073,272)** | **$ 76,040,513** | **$ (159,308,816)** |
| 7 | | | | | | |
| 8 | **Transmission Plant** | 35201: Structures and improvements | (651,906) | (318,093) | 525 | (969,474) |
| 9 | | 35301: Station Equipment | (12,853,112) | (5,358,423) | 1,496,556 | (16,714,979) |
| 10 | | Subtotal | **$ (13,505,018)** | **$ (5,676,516)** | **$ 1,497,082** | **$ (17,684,453)** |
| 11 | | | | | | |
| 12 | **Distribution Plant** | 36002: Land and Land Rights | (614,348) | (59,649) | - | (673,997) |
| 13 | | 36101: Structures and Improvements | (23,190,176) | (4,068,781) | 1,057,315 | (26,201,641) |
| 14 | | 36201: Station Equipment | (216,941,065) | (48,165,104) | 16,107,564 | (248,998,605) |
| 15 | | 36401: Poles,Towers & Fixtures | (352,800,000) | (94,205,205) | 72,907,453 | (374,097,752) |
| 16 | | 36501: O.H. Conductors & Devices | (370,600,000) | (98,360,582) | 65,565,824 | (403,394,759) |
| 17 | | 36601: Underground Conduits | (214,109,000) | (42,673,611) | 6,727,072 | (250,055,539) |
| 18 | | 36701: U.G. Conductors & Devices | (367,555,000) | (115,342,419) | 35,833,539 | (447,063,880) |
| 19 | | 36801: Line Transformers | (558,460,000) | (151,965,619) | 142,987,898 | (567,437,721) |
| 20 | | 36901: Services | (82,547,000) | (24,013,139) | 3,991,732 | (102,568,407) |
| 21 | | 37001: Meters | (57,760,000) | (9,264,983) | 6,158,478 | (60,866,505) |
| 22 | | 37003: Automated Meters | (26,717,000) | (21,228,378) | 2,207,262 | (45,738,116) |
| 23 | | 37301: Street Lights | (233,182,000) | (63,135,409) | 22,275,620 | (274,041,789) |
| 24 | | 37302: Security Lighting | (3,657,000) | (1,311,046) | 1,064,650 | (3,903,395) |
| 25 | | 37401: Security Lighting | - | (41) | (1) | (43) |
| 26 | | Subtotal | **$ (2,508,132,589)** | **$ (673,793,966)** | **$ 376,884,407** | **$ (2,805,042,148)** |
| 27 | | | | | | |
| 28 | **General Plant** | 39101: Office furniture and equipment | (2,915,424) | (1,327,001) | 1,367,257 | (2,875,167) |
| 29 | | 39701: Microwave Equipment | (71,078,136) | (37,348,769) | 2,392,322 | (106,034,583) |
| 30 | | 39702: Computer Equipment | (54,968,046) | (45,795,237) | 32,798,609 | (67,964,674) |
| 31 | | Subtotal | **$ (128,961,606)** | **$ (84,471,006)** | **$ 36,558,189** | **$ (176,874,424)** |
| 32 | | | | | | |
| 33 | | Docket No. 49421 Adjustments: Docket No. 49421 Adjustments | 606,190 | 1,626,048 | - | 2,232,238 |
| 34 | | | **$ 606,190** | **$ 1,626,048** | **$ -** | **$ 2,232,238** |
| 35 | | | | | | |
| 36 | | Total | **$ (2,780,269,081) (3)** | **$ (867,388,712)** | **$ 490,980,191** | **$ (3,156,677,602) (3)** |
| 37 | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Distribution Cost Recovery Factor | | | | | | |
| CenterPoint Energy Houston Electric | | | | | | |
| Update Period January 1, 2019 - December 31, 2021 | | | | | | |
| Sponsor: Mary A. Kirk | | | | | | |
| | | | | | | |
| | | | (1) | (2) | (3) | (4) |
| | | | | | | |
| Line No. | Category | Account No. & Description | Balance approved in Docket No. 49421 (1)(2) | Depreciation Expense since Docket No. 49421 (2) | Retirement/Adjustments since Docket No. 49421 (2) | Balance @ End of Period (4) = (1) + (2) + (3) |
| 38 | (Note 1) Asset class 303.02 from Exhibit I has been expanded according to the approved depreciation rate on Docket No. 49421 Settlement, Exhibit F. | | | | | |
| 39 | (1) From: Docket No. 49421 Settlement, Exhibit I | | | | | |
| 40 | (2) From: WP B-5.1 Summary | | | | | |
| 41 | (3) To: Schedule B | | | | | |

Schedule B-7: Distribution Accumulated Deferred Federal Income Taxes (ADFIT)

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| | | | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|---|---|
| Line No. | Category | Account No. & Description | Gross Incremental Distribution Investment since Docket No. 49421 (Note 2)(2) | Accumulated Depreciation since Docket No. 49421 (Note 3)(2) | Net Plant Additions since Docket No. 49421 (3) = (1) - (2) (Note 4) | Plant Additions by FERC Account | Change in ADFIT since Docket No. 49421 |
| 1 | **Incremental Distribution Plant in Service** (Note 1) | | $ 1,474,382,362 | $ 376,408,521 | $ 1,097,973,841 | | (1) $ (79,907,779) |
| 2 | | | | | | | |
| 3 | **Intangible Plant** | 30302-5: Intangible EFM Equipment (5 Yrs) | (81,506,230) | (45,865,266) | (35,640,964) | (3.25%) | 2,593,860 |
| 4 | | 30302-7: Intangible EFM Equipment (7 Yrs) | 23,309,511 | 21,297,856 | 2,011,654 | 0.18% | (146,403) |
| 5 | | 30302-10: Intangible EFM Equipment (10 Yrs) | 55,515,288 | 35,661,409 | 19,853,879 | 1.81% | (1,444,915) |
| 6 | | 30302-15: Intangible EFM Equipment (15 Yrs) | 133,143,798 | 17,938,759 | 115,205,039 | 10.49% | (8,384,333) |
| 7 | | Subtotal | **$ 130,462,367** | **$ 29,032,759** | **$ 101,429,608** | 9.24% | **$ (7,381,792)** |
| 8 | | | | | | | |
| 9 | **Transmission Plant** | 35201: Structures and improvements | 6,997,771 | 317,567 | 6,680,204 | 0.61% | (486,168) |
| 10 | | 35301: Station Equipment | 31,297,524 | 3,861,867 | 27,435,657 | 2.50% | (1,996,698) |
| 11 | | Subtotal | **$ 38,295,295** | **$ 4,179,434** | **$ 34,115,861** | 3.11% | **$ (2,482,867)** |
| 12 | | | | | | | |
| 13 | **Distribution Plant** | 36001: Land Owned in Fee | 14,652,969 | - | 14,652,969 | 1.33% | (1,066,406) |
| 14 | | 36002: Land and Land Rights | - | 59,649 | (59,649) | (0.01%) | 4,341 |
| 15 | | 36101: Structures and Improvements | 27,427,613 | 3,011,466 | 24,416,147 | 2.22% | (1,776,946) |
| 16 | | 36201: Station Equipment | 93,837,281 | 32,057,540 | 61,779,742 | 5.63% | (4,496,174) |
| 17 | | 36401: Poles,Towers & Fixtures | 199,128,888 | 21,297,752 | 177,831,136 | 16.20% | (12,942,104) |
| 18 | | 36501: O.H. Conductors & Devices | 167,075,732 | 32,794,759 | 134,280,973 | 12.23% | (9,772,632) |
| 19 | | 36601: Underground Conduits | 115,457,859 | 35,946,539 | 79,511,320 | 7.24% | (5,786,634) |
| 20 | | 36701: U.G. Conductors & Devices | 200,704,084 | 79,508,880 | 121,195,204 | 11.04% | (8,820,283) |
| 21 | | 36801: Line Transformers | 209,923,829 | 8,977,721 | 200,946,108 | 18.30% | (14,624,353) |
| 22 | | 36901: Services | 29,137,986 | 20,021,407 | 9,116,578 | 0.83% | (663,482) |
| 23 | | 37001: Meters | (403,210) | 3,106,505 | (3,509,715) | (0.32%) | 255,428 |
| 24 | | 37003: Automated Meters | 70,997,449 | 19,021,116 | 51,976,333 | 4.73% | (3,782,707) |
| 25 | | 37301: Street Lights | 105,101,603 | 40,859,789 | 64,241,814 | 5.85% | (4,675,358) |
| 26 | | 37302: Security Lighting | 569,929 | 246,395 | 323,533 | 0.03% | (23,546) |
| 27 | | 37401: Security Lighting | 22 | 43 | (20) | (0.00%) | 1 |
| 28 | | Subtotal | **$ 1,233,612,033** | **$ 296,909,559** | **$ 936,702,474** | 85.31% | **$ (68,170,854)** |
| 29 | | | | | | | |
| 30 | **General Plant** | 39101: Office furniture and equipment | 1,614,231 | (40,257) | 1,654,488 | 0.15% | (120,409) |
| 31 | | 39701: Microwave Equipment | 86,277,672 | 34,956,447 | 51,321,225 | 4.67% | (3,735,030) |
| 32 | | 39702: Computer Equipment | (15,879,235) | 12,996,627 | (28,875,863) | (2.63%) | 2,101,513 |
| 33 | | Subtotal | **$ 72,012,668** | **$ 47,912,818** | **$ 24,099,850** | 2.19% | **$ (1,753,927)** |
| 34 | | | | | | | |
| 35 | | Docket No. 49421 Adjustments: Docket No. 49421 Adjustments | - | (1,626,048) | 1,626,048 | 0.15% | (118,340) |
| 36 | | | **$ -** | **$ (1,626,048)** | **$ 1,626,048** | 0.15% | **$ (118,340)** |

Schedule B-7: Distribution Accumulated Deferred Federal Income Taxes (ADFIT)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Distribution Cost Recovery Factor | | | | | | | |
| CenterPoint Energy Houston Electric | | | | | | | |
| Update Period January 1, 2019 - December 31, 2021 | | | | | | | |
| Sponsor: Mary A. Kirk | | | | | | | |
| | | | (1) | (2) | (3) | (4) | (5) |
| Line No. | Category | Account No. & Description | Gross Incremental Distribution Investment since Docket No. 49421 (Note 2)(2) | Accumulated Depreciation since Docket No. 49421 (Note 3)(2) | Net Plant Additions since Docket No. 49421 (3) = (1) - (2) (Note 4) | Plant Additions by FERC Account | Change in ADFIT since Docket No. 49421 |
| 37 | | | | | | | |
| 38 | | Total | $ 1,474,382,362 | $ 376,408,521 | $ 1,097,973,841 | 100.00% | $ (79,907,779) |
| 39 | | | | | | | |
| 40 | (Note 1) This line is intended to represent the increase in total distribution plant, not just the DIC (see related worksheet). | | | | | | |
| 41 | (Note 2) Additions, retirements, and adjustments since Docket No. 49421. | | | | | | |
| 42 | (Note 3) Depreciation expense, retirements, and adjustments since Docket No. 49421. | | | | | | |
| 43 | (Note 4) Net change since Docket No. 49421. | | | | | | |
| 44 | (1) From: Schedule E-3.10 | | | | | | |
| 45 | (2) From: Schedule B-5 Column 2 & 3 | | | | | | |

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| Line No. | Category | Account No. & Description | (1) Depreciation Expense approved in Docket No. 49421 | (2) Gross Plant Balance approved in Docket No. 49421 | (3) Gross Plant Balance at 12/31/21 Including Requested Additions (1) | (4) Increase in Gross Plant Balance (Requested Additions) (4) = (3) - (2) | (5) Depreciation Rate approved in Docket No. 49421 |
|---|---|---|---|---|---|---|---|
| 1 | **Intangible Plant** (Note 1) | 30302-5: Intangible EFM Equipment (5 Yrs) | $ 12,464,277 | $ 131,541,440 | $ 50,035,210 | $ (81,506,230) | 20.00% |
| 2 | (Note 1) | 30302-7: Intangible EFM Equipment (7 Yrs) | 6,223,223 | 37,557,788 | 60,867,299 | 23,309,511 | 14.29% |
| 3 | (Note 1) | 30302-10: Intangible EFM Equipment (10 Yrs) | 9,492,908 | 82,128,295 | 137,643,583 | 55,515,288 | 10.00% |
| 4 | (Note 1) | 30302-15: Intangible EFM Equipment (15 Yrs) | 1,307,737 | - | 133,143,798 | 133,143,798 | 6.67% |
| 5 | (Note 1) | Subtotal | **$ 29,488,145** | **$ 251,227,523** | **$ 381,689,890** | **$ 130,462,367** | |
| 6 | | | | | | | |
| 7 | **Transmission Plant** | 35201: Structures and improvements | 112,480 | 7,015,209 | 14,012,980 | 6,997,771 | 1.74% |
| 8 | | 35301: Station Equipment | 1,498,280 | 77,609,094 | 108,906,618 | 31,297,524 | 2.05% |
| 9 | | Subtotal | **$ 1,610,759** | **$ 84,624,302** | **$ 122,919,597** | **$ 38,295,295** | |
| 10 | | | | | | | |
| 11 | **Distribution Plant** | 36001: Land Owned in Fee | - | 10,234,974 | 24,887,943 | 14,652,969 | 1.55% |
| 12 | | 36002: Land and Land Rights | 18,235 | 1,114,928 | 1,114,928 | - | 1.55% |
| 13 | | 36101: Structures and Improvements | 1,096,625 | 68,857,255 | 96,284,868 | 27,427,613 | 1.68% |
| 14 | | 36201: Station Equipment | 15,972,429 | 758,043,955 | 851,881,237 | 93,837,281 | 2.14% |
| 15 | | 36401: Poles,Towers & Fixtures | 25,156,419 | 833,783,000 | 1,032,911,888 | 199,128,888 | 3.84% |
| 16 | | 36501: O.H. Conductors & Devices | 32,382,145 | 1,006,923,000 | 1,173,998,732 | 167,075,732 | 3.24% |
| 17 | | 36601: Underground Conduits | 11,474,307 | 588,107,000 | 703,564,859 | 115,457,859 | 1.96% |
| 18 | | 36701: U.G. Conductors & Devices | 34,746,854 | 1,066,097,000 | 1,266,801,084 | 200,704,084 | 3.34% |
| 19 | | 36801: Line Transformers | 50,800,761 | 1,376,114,000 | 1,586,037,829 | 209,923,829 | 3.71% |
| 20 | | 36901: Services | 8,995,209 | 200,437,000 | 229,574,986 | 29,137,986 | 3.76% |
| 21 | | 37001: Meters | 2,576,278 | 78,336,000 | 77,932,790 | (403,210) | 3.32% |
| 22 | | 37002: Advanced Meters | - | - | - | - | 3.32% |
| 23 | | 37003: Automated Meters | 2,491,246 | 111,787,000 | 182,784,449 | 70,997,449 | 4.77% |
| 24 | | 37301: Street Lights | 18,212,109 | 604,289,000 | 709,390,603 | 105,101,603 | 3.09% |
| 25 | | 37302: Security Lighting | 461,604 | 13,210,000 | 13,779,929 | 569,929 | 3.09% |
| 26 | | 37401: Security Lighting | - | - | 22 | 22 | 3.09% |
| 27 | | Subtotal | **$ 204,384,221** | **$ 6,717,334,112** | **$ 7,950,946,145** | **$ 1,233,612,033** | |
| 28 | | | | | | | |
| 29 | **General Plant** | 39101: Office furniture and equipment | 361,797 | 10,256,950 | 11,871,181 | 1,614,231 | 4.17% |
| 30 | | 39701: Microwave Equipment | 11,852,304 | 271,100,699 | 357,378,371 | 86,277,672 | 5.08% |
| 31 | | 39702: Computer Equipment | 14,937,698 | 119,646,634 | 103,767,399 | (15,879,235) | 12.50% |
| 32 | | Subtotal | **$ 27,151,798** | **$ 401,004,283** | **$ 473,016,951** | **$ 72,012,668** | |
| 33 | | | | | | | |
| 34 | | Amortization Other: Amortization Other | 5,872,595 | - | - | - | 0.00% |
| 35 | | Docket No. 49421 Adjustments: Docket No. 49421 Adjustments | (3) (542,016) | (16,508,941) | (16,508,941) | - | 0.00% |
| 36 | | Misc. Other: Misc. Other | 380,110 | - | - | - | 0.00% |

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| Line No. | Category | Account No. & Description | (1) Depreciation Expense approved in Docket No. 49421 | (2) Gross Plant Balance approved in Docket No. 49421 | (3) Gross Plant Balance at 12/31/21 Including Requested Additions [1] | (4) Increase in Gross Plant Balance (Requested Additions) (4) = (3) - (2) | (5) Depreciation Rate approved in Docket No. 49421 |
|---|---|---|---|---|---|---|---|
| 37 | | Allocated Expense Accounts: Allocated Expense Accounts | 5,790,140 | [2] 398,545,543 | 398,545,543 | - | 0.00% |
| 38 | | Subtotal | **$ 11,500,829** | **$ 382,036,602** | **$ 382,036,602** | $ - | |
| 39 | | | | | | | |
| 40 | | Total | **$ 274,135,753** [4] | **$ 7,836,226,823** | **$ 9,310,609,186** | **$ 1,474,382,362** | |
| 41 | | | | | | | |
| 42 | [Note 1] Asset class 303.02 from Exhibit I has been expanded according to the approved | | | | | | |
| 43 | depreciation rate on Docket No. 49421 Settlement, Exhibit F. | | | | | | |
| 44 | [1] From: Schedule B-1 | | | | | | |
| 45 | [2] From: Docket No. 49421 Settlement, Exhibit I | | | | | | |
| 46 | [3] From: WP B-5.2 | | | | | | |
| 47 | [4] To: Schedule A | | | | | | |

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| | | | (6) | (7) |
|---|---|---|---|---|
| Line No. | Category | Account No. & Description | Additional Depreciation Expense on Gross Plant Additions (6) =(4) * (5) | Total Depreciation Expense (7) = (1) + (6) |
| 1 | **Intangible Plant** (Note 1) | 30302-5: Intangible EFM Equipment (5 Yrs) | $ (16,301,246) | $ (3,836,969) |
| 2 | (Note 1) | 30302-7: Intangible EFM Equipment (7 Yrs) | 3,330,929 | 9,554,152 |
| 3 | (Note 1) | 30302-10: Intangible EFM Equipment (10 Yrs) | 5,551,529 | 15,044,437 |
| 4 | (Note 1) | 30302-15: Intangible EFM Equipment (15 Yrs) | 8,880,691 | 10,188,428 |
| 5 | (Note 1) | Subtotal | **$ 1,461,903** | **$ 30,950,048** |
| 6 | | | | |
| 7 | **Transmission Plant** | 35201: Structures and improvements | 121,761 | 234,241 |
| 8 | | 35301: Station Equipment | 641,599 | 2,139,879 |
| 9 | | Subtotal | **$ 763,360** | **$ 2,374,120** |
| 10 | | | | |
| 11 | **Distribution Plant** | 36001: Land Owned in Fee | 227,121 | 227,121 |
| 12 | | 36002: Land and Land Rights | - | 18,235 |
| 13 | | 36101: Structures and Improvements | 460,784 | 1,557,409 |
| 14 | | 36201: Station Equipment | 2,008,118 | 17,980,547 |
| 15 | | 36401: Poles,Towers & Fixtures | 7,646,549 | 32,802,968 |
| 16 | | 36501: O.H. Conductors & Devices | 5,413,254 | 37,795,399 |
| 17 | | 36601: Underground Conduits | 2,262,974 | 13,737,281 |
| 18 | | 36701: U.G. Conductors & Devices | 6,703,516 | 41,450,371 |
| 19 | | 36801: Line Transformers | 7,788,174 | 58,588,935 |
| 20 | | 36901: Services | 1,095,588 | 10,090,797 |
| 21 | | 37001: Meters | (13,387) | 2,562,891 |
| 22 | | 37002: Advanced Meters | - | - |
| 23 | | 37003: Automated Meters | 3,386,578 | 5,877,824 |
| 24 | | 37301: Street Lights | 3,247,640 | 21,459,749 |
| 25 | | 37302: Security Lighting | 17,611 | 479,215 |
| 26 | | 37401: Security Lighting | 1 | 1 |
| 27 | | Subtotal | **$ 40,244,521** | **$ 244,628,742** |
| 28 | | | | |
| 29 | **General Plant** | 39101: Office furniture and equipment | 67,313 | 429,110 |
| 30 | | 39701: Microwave Equipment | 4,382,906 | 16,235,210 |
| 31 | | 39702: Computer Equipment | (1,984,904) | 12,952,793 |
| 32 | | Subtotal | **$ 2,465,315** | **$ 29,617,113** |
| 33 | | | | |
| 34 | | Amortization Other: Amortization Other | - | 5,872,595 |
| 35 | | Docket No. 49421 Adjustments: Docket No. 49421 Adjustments | - | (542,016) |
| 36 | | Misc. Other: Misc. Other | - | 380,110 |

| | | | | |
|---|---|---|---|---|
| Distribution Cost Recovery Factor | | | | |
| CenterPoint Energy Houston Electric | | | | |
| Update Period January 1, 2019 - December 31, 2021 | | | | |
| Sponsor: Mary A. Kirk | | | | |
| | | | | |
| | | | (6) | (7) |
| | | | | |
| Line No. | Category | Account No. & Description | Additional Depreciation Expense on Gross Plant Additions (6) =(4) * (5) | Total Depreciation Expense (7) = (1) + (6) |
| 37 | | Allocated Expense Accounts: Allocated Expense Accounts | - | 5,790,140 |
| 38 | | Subtotal | $ - | $ **11,500,829** |
| 39 | | | | |
| 40 | | Total | $ **44,935,100** [4] | $ **319,070,853** [4] |
| 41 | | | | |
| 42 | [Note 1] Asset class 303.02 from Exhibit I has been expanded according to the approved | | | |
| 43 | depreciation rate on Docket No. 49421 Settlement, Exhibit F. | | | |
| 44 | [1] From: Schedule B-1 | | | |
| 45 | [2] From: Docket No. 49421 Settlement, Exhibit I | | | |
| 46 | [3] From: WP B-5.2 | | | |
| 47 | [4] To: Schedule A | | | |

Schedule E-2: Distribution Taxes Other than Income Taxes

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| Line No. | FERC Account & Account Description | (1) Total Approved per Docket No. 49421 | (2) Interim Annual Increase | (3) Balance at 12/31/2021 (3) = (1) + (2) |
|---|---|---|---|---|
| 1 | **Non-Revenue Related** | | | |
| 2 | Ad Valorem Tax [1] | $ 60,471,373 | $ 13,395,281 | $ 73,866,654 |
| 3 | Payroll Taxes [2] | 7,641,775 | - | 7,641,775 |
| 4 | | | | |
| 5 | **Revenue Related Taxes** | | | |
| 6 | City Franchise Fee [2] | 153,245,000 | - | 153,245,000 |
| 7 | Total Texas Margin Tax - Distribution [3] | 16,197,251 | 1,788,744 | 17,985,995 |
| 8 | Deferred SIT/Local [2] | (191,935) | - | (191,935) |
| 9 | | | | |
| 10 | **Total Taxes Other Than FIT Taxes** [4] | **$ 237,363,464** | **$ 15,184,025** | **$ 252,547,489** |
| 11 | | | | |
| 12 | [1] From: WP E-2.1 | | | |
| 13 | [2] From: Docket No. 49421 Settlement, Exhibit I | | | |
| 14 | [3] From: WP E-2.2-1 | | | |
| 15 | [4] To: Schedule A | | | |

| | | | | |
|---|---|---|---|---|
| Distribution Cost Recovery Factor | | | | |
| CenterPoint Energy Houston Electric | | | | |
| Update Period January 1, 2019 - December 31, 2021 | | | | |
| Sponsor: Mary A. Kirk | | | | |
| | | (1) | (2) | (3) |
| Line No. | Account Description | Amount Approved per Docket No. 49421 (3) | Interim Annual Change | Balance at 12/31/2021 (3) = (1) + (2) |
| 1 | **Federal Income Tax** | | | |
| 2 | | | | |
| 3 | **Return on Rate Base** (1) | $ 243,667,091 | $ 67,415,473 | $ 311,082,564 |
| 4 | **Deductions:** | | | |
| 5 | Synchronized Interest (2) | 100,716,496 | 26,096,312 | 126,812,809 |
| 6 | ITC Amortization (3) | | | |
| 7 | Amortization of Protected Excess DFIT (3) | 15,564,252 | - | 15,564,252 |
| 8 | Amortization of Non-Protected Excess DFIT | | | |
| 9 | Research and Development Credit (3) | 1,058,003 | - | 1,058,003 |
| 10 | Restricted Stock Excess Tax Benefit (3) | 44,735 | - | 44,735 |
| 11 | Subtotal | **$ 117,383,486** | **$ 26,096,312** | **$ 143,479,799** |
| 12 | | | | |
| 13 | **Additions:** | | | |
| 14 | | | | |
| 15 | Non-deductible Parking and Transit (3) | 91,385 | - | 91,385 |
| 16 | Meals & Entertainment (3) | 464,184 | - | 464,184 |
| 17 | Diesel Fuel Credit Disallowance (3) | 2,648 | - | 2,648 |
| 18 | Permanent Depreciation Difference (3) | 3,640,151 | - | 3,640,151 |
| 19 | Medicare Drug Subsidy (3) | 1,176,506 | - | 1,176,506 |
| 20 | Subtotal | **$ 5,374,873** | **$ -** | **$ 5,374,873** |
| 21 | | | | |
| 22 | **Taxable Component of Return** | 131,658,477 | 41,319,161 | 172,977,638 |
| 23 | **Tax Factor** | 26.58% | 26.58% | |
| 24 | | - | - | - |
| 25 | **Federal Income Taxes Before Adjustments**** | **$ 34,997,822** | **$ 10,983,574** | **$ 45,981,397** |
| 26 | | | | |
| 27 | **Tax Credits-Deduct** | | | |
| 28 | Amortization of protected excess DFIT (3) | 15,564,252 | - | 15,564,252 |
| 29 | Amortization of Non-Protected EDIT (3) | - | - | - |
| 30 | Research and Development Credit (3) | 1,058,003 | - | 1,058,003 |
| 31 | Medicare Drug Subsidy (3) | (1,176,506) | - | (1,176,506) |
| 32 | Restricted Stock Excess Tax Benefit (3) | 44,735 | - | 44,735 |
| 33 | Total Tax Credits | **$ 15,490,484** | **$ -** | **$ 15,490,484** |
| 34 | | | | |
| 35 | **TOTAL FEDERAL INCOME TAXES** (4) | **$ 19,507,338** | **$ 10,983,574** | **$ 30,490,913** |
| 36 | | | | |
| 37 | | | | |
| 38 | (1) From: Schedule B | | | |
| 39 | (2) From: WP E-3.1 | | | |
| 40 | (3) From: Docket No. 49421 Settlement, Exhibit I | | | |
| 41 | (4) To: Schedule A | | | |

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| Line No. | Account Number | Description | (1) Company Total at Period End [1] | (2) Function Factor Name | (3) Distribution Function Factor [1] | (4) Distribution Total at Period End (4) = (1) * (3) |
|---|---|---|---|---|---|---|
| 1 | 2820 | Self Developed Software | $ (17,980,852) | DIT Account 282 | 71.40% | $ (12,837,526) |
| 2 | | AFUDC Debt | 9,663,969 | DIT Account 282 | 71.40% | 6,899,643 |
| 3 | | Casualty Loss | (115,087,019) | DIT Account 282 | 71.40% | (82,166,996) |
| 4 | | Remove Allocated PP&E ADIT - Update Period | - | Direct - ADFIT | 0.00% | [1] 17,271,727 |
| 5 | | Include Allocated PP&E ADIT - Docket No. 49421 | - | Direct - ADFIT | 0.00% | [1] (15,303,273) |
| 6 | | Uniform Capitalization | (112,320,039) | DIT Account 282 | 71.40% | (80,191,496) |
| 7 | | Book/Tax Depreciation | (943,387,208) | DIT Account 282 | 71.40% | (673,536,368) |
| 8 | | PP&E Permanent Difference | - | DIT Account 282 | 71.40% | - |
| 9 | | ARO | - | DIT Account 282 | 71.40% | - |
| 10 | | Deductible Repairs & Maintenance | (161,353,442) | DIT Account 282 | 71.40% | (115,199,157) |
| 11 | | Include CIAC In Income | 118,541,269 | DIT Account 282 | 71.40% | 84,633,176 |
| 12 | | Pre TCJA Excess DFIT | 317,819 | DIT Account 282 | 71.40% | 226,909 |
| 13 | | Commission Number Run, Docket No. 49421 | - | DIT Account 282 | 71.40% | [1] (64,297,994) |
| 14 | | Cost of Removal | 32,752,848 | DIT Account 282 | 71.40% | 23,384,072 |
| 15 | | Manual Transmission Plant In Service | (300,944) | Transmission | 0.00% | - |
| 16 | | | | | | |
| 17 | | Total | **$ (1,189,153,599)** | | | **$ (911,117,284)** |
| 18 | | | | | | |
| 19 | [1] From: WP E-3.10.1 | | | | | |

Schedule E-3.10: Distribution Plant Accumulated Deferred Federal Income Taxes (ADFIT) Change

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| Line No. | Description | (1) Distribution Total Approved in Docket No. 49421 (1) | (2) Distribution Total at Period End | (3) Change in ADFIT (3) = (2) - (1) |
|---|---|---|---|---|
| 1 | **Plant-Related ADFIT** | | | |
| 2 | Direct | $ (819,515,269) | $ (895,814,010) | $ (76,298,741) |
| 3 | Allocated | (15,303,273) | (15,303,273) | - |
| 4 | **Total Plant-Related ADFIT** | **$ (834,818,543)** | **$ (911,117,284)** (2) | **$ (76,298,741)** |
| 5 | | | | |
| 6 | **Non-Plant ADFIT** | | | |
| 7 | FERC 190 | 128,463,615 (1) | 124,854,576 | (3,609,038) |
| 8 | FERC 283 | 9,343,820 (1) | 9,343,820 | - |
| 9 | **Total Non-Plant ADFIT** | **$ 137,807,435** | **$ 134,198,397** | **$ (3,609,038)** |
| 10 | | | | |
| 11 | **Total Distribution Plant ADFIT** (3) | **$ (697,011,107)** | **$ (776,918,887)** | **$ (79,907,779)** |
| 12 | | | | |
| 13 | (1) From: WP E-3.10-1 | | | |
| 14 | (2) From: Schedule E-3.7, Column 4 | | | |
| 15 | (3) To: Schedule B | | | |

Schedule E-3.11: Distribution Plant Excess Deferred Federal Income Taxes (EDIT)-Reg Asset/Liability Change

Distribution Cost Recovery Factor
CenterPoint Energy Houston Electric
Update Period January 1, 2019 - December 31, 2021
Sponsor: Mary A. Kirk

| Line No. | Description | (1) Distribution Total approved in Docket No. 49421 | (2) Distribution Total at Period End | (3) Change in EDIT-Reg A/L (3) = (2) - (1) |
|---|---|---|---|---|
| 1 | **Protected EDIT-Reg Asset/Liability:** | | | |
| 2 | Direct [1] | $ (578,727,954) | $ (561,226,073) | $ 17,501,881 |
| 3 | Allocated [1] | (15,317,951) | (15,317,951) | - |
| 4 | **Total Protected EDIT-Reg Asset/Liability [2]** | **$ (594,045,905)** | **$ (576,544,024)** | **$ 17,501,881** |
| 5 | | | | |
| 6 | [1] From: WP E-3.11.1 | | | |
| 7 | [2] To: Schedule B | | | |

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**
**Update of Distribution Cost Recovery Factor**
**Mobile Generation**
**Update Period January 1, 2019 - December 31, 2021**
**Sponsor: Mary A. Kirk**

| | | | As of December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Line No. | Account Description | FERC | Balance at End of December 31, 2021 [1] | ADIT [2] | Total Rate Base | Amortization Period (yrs) [3] | Annual Amortization Expense | Taxes | Net Impact |
| 1 | **Rate Base Balances at End of Period** | | | | | | | | |
| 2 | 144010 Prepayments - Other | 1650 Prepayments | $ 3,830,395 | $ - | $ 3,830,395 | 1.00 | $ 3,830,395 | $ - | $ 3,830,395 |
| 3 | 179052 Regulatory Assets-Emergency Generation | 1823 Oth Regulatory Asset | 20,269,958 | (4,224,766) | 16,045,193 | 1.00 | 20,269,958 | | 20,269,958 |
| 4 | 179054 Emergency Gen LT | 1823 Oth Regulatory Asset | 150,568,510 | (31,453,636) | 119,114,874 | 7.50 | 20,075,801 | | 20,075,801 |
| 5 | 188010 Misc Def Debits - Other | 1860 Misc Deferred Debits | 24,897,566 | - | 24,897,566 | 7.50 | 3,319,676 | | 3,319,676 |
| 6 | | Subtotal | $ 199,566,430 | $ (35,678,402) | $ 163,888,028 | | $ 47,495,830 | $ - | $ 47,495,830 |
| 7 | | | | | | | | | |
| 8 | Rate of Return | | | | 6.51% | | | | |
| 9 | **Return on Rate Base** (Ln 6 Rate Base Subtotal x Ln 8 Rate of Return) | | | | $ 10,669,111 | | | | 10,669,111 |
| 10 | | | | | | | | | |
| 11 | **Impact on Expense** | | | | | | | | |
| 12 | Weighted Cost of Debt | | | | | | | 2.52% | |
| 13 | Synchronized Interest (Ln 6 Rate Base Subtotal x Ln 12 Weighted Cost of Debt) | | | | | | | 4,127,520 | |
| 14 | | | | | | | | | |
| 15 | Taxable Component of Return (Ln 9 Return on Rate Base - Ln 13 Synchronized Interest) | | | | | | | 6,541,591 | |
| 16 | Tax Factor | | | | | | | 26.582278% | |
| 17 | | | | | | | | | |
| 18 | Federal Income Taxes (Ln 15 Taxable Component of Return x Ln 16 Tax Factor) | | | | | | | 1,738,904 | 1,738,904 |
| 19 | | | | | | | | | |
| 20 | Texas Margin Tax | | | | | | | - | |
| 21 | | | | | | | | | |
| 22 | **Total Taxes** (Ln 18 Federal Income Taxes + Ln 20 Texas Margin Tax) | | | | | | | $ 1,738,904 | |
| 23 | | | | | | | | | |
| 24 | **Net Impact** | | | | | | | | $ 59,903,845 [4] |

Note
[1] Source SAP, balance includes carrying costs.
[2] Source : Tax Department
[3] Amortization period dependent on life of the contract.
[4] To: Schedule A

## Schedule H: Distribution Revenues, Sales and Customer Data

**Distribution Cost Recovery Factor**
**CenterPoint Energy Houston Electric, LLC**
**Update Period 1/1/2019 - 12/31/2021**
**Sponsor: John Durland**

| | | | | | Twelve Months Ended December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LINE | DESCRIPTION | VOLT | Billing Unit Type (1) | Billing units approved in Docket No. 49421 (2) | (Update period) Unadjusted Billing Units at Meter (3) | (Update period) Billing Unit Weather Adjustment (4) | (Update period) Adjusted Billing Units at Meter (5) = (3) + (4) | (Update period) YE Customer Adjustment (6) | (Update period) Adjusted Billing Units (7) = (5) + (6) | Change in Billing Units (8) = (7) - (2) | Percent Change (9) = (8) / (2) |
| 1 | Residential | Secondary | kWh | 29,428,636,118 | 30,564,353,064 | (496,946,990) | 30,067,406,074 | 299,481,386 | 30,366,887,460 | 938,251,342 | 3.19% |
| 2 | Secondary <= 10 | Secondary | kWh | 917,454,734 | 876,355,805 | (3,403,080) | 872,952,725 | 2,487,127 | 875,439,852 | (42,014,882) | -4.58% |
| 3 | Secondary > 10 | Secondary | Billing kVA | 82,033,303 | 104,325,917 | (449,710) | 103,876,207 | 1,066,290 | 104,942,497 | 22,909,194 | 27.93% |
| 4 | Primary | Primary | Billing kVA | 13,460,975 | 12,580,003 | (24,570) | 12,555,433 | 35,801 | 12,591,234 | (869,741) | -6.46% |
| 5 | Transmission | Transmission | 4CP kVa | 29,796,612 | 35,799,944 | - | 35,799,944 | 545,270 | 36,345,214 | 6,548,602 | 21.98% |
| 6 | Lighting | Secondary | kWh | 253,265,770 | 229,820,615 | - | 229,820,615 | (1,839,492) | 227,981,123 | (25,284,647) | -9.98% |
| 7 | | | | | | | | | | | |
| | Total | | | 30,724,647,512 | 31,823,235,349 | (500,824,350) | 31,322,410,999 | 301,776,382 | 31,624,187,380 | 899,539,868 | |

Reference:

(2) WP/Schedule H/1
(3) WP/Schedule H/2
(4) WP/Schedule H/2
(6) WP/Schedule H/3

**Schedule J: Summary of Distribution Cost Recovery Factor**

**Distribution Cost Recovery Factor**
**CenterPoint Energy Houston Electric, LLC**
**Update Period 1/1/2019 - 12/31/2021**
**Sponsor: John Durland**

**Summary of Revenue Requirement by Class**

| Class | (1) Cumulative DCRF Revenue by Class | (2) (Plus/Minus) Distrev * Growth Adjustment | (3) = (1) + (2) Adjusted Cumulative DCRF Revenues | (4) Alloc Class | (5) = Total (3) * (4) DCRF Revenues | (6) Billing Units | (7) = (5)/(6) Rate ($) | (8) Units |
|---|---|---|---|---|---|---|---|---|
| Residential | $ 114,076,827 | $ (10,423,582) | | 57.49% | $ 83,754,841 | 30,366,887,460 | 0.002758 | per kWh |
| Secondary <= 10 | $ 2,979,487 | $ 430,903 | | 1.50% | $ 2,187,530 | 875,439,852 | 0.002499 | per kWh |
| Secondary > 10 | $ 60,416,143 | $ (47,436,216) | | 30.45% | $ 44,357,339 | 104,942,497 | 0.422682 | per Billing kVa |
| Primary | $ 4,686,073 | $ 854,946 | | 2.36% | $ 3,440,500 | 12,591,234 | 0.273246 | per Billing kVa |
| Transmission | $ 494,769 | $ (538,962) | | 0.25% | $ 363,258 | 36,345,214 | 0.009995 | per 4CP kVa |
| Lighting | $ 15,768,718 | $ 4,371,705 | | 7.95% | $ 11,577,342 | 227,981,123 | 0.050782 | per kWh |
| **Total** | $ 198,422,017 | $ (52,741,207) | $ 145,680,810 | 100.00% | $ 145,680,810 | | | |

Reference:

| | |
|---|---|
| (1) Cumulative DCRF Revenue by Class: | WP/Schedule J/1 |
| (2) Distrev * Growth Adjustment: | WP/Schedule J/2 |
| (4) Alloc $_{Class}$: | WP/Schedule J/1 |
| (6) Billing Units : | Schedule H |

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# SCHEDULE K

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**ELECTRIC INVESTOR-OWNED UTILITIES**
**(Transmission & Distribution Service Providers in ERCOT)**

**EARNINGS REPORT**

**OF**

# CenterPoint Energy Houston Electric, LLC

**TO THE**

**PUBLIC UTILITY COMMISSION OF TEXAS**

**FOR THE**

12 Months Ending December 31, 2021

**Check one:**

**This is an original submission** [X]
**This is a revised submission** [ ]

Date of submission: April 5, 2022

**GENERAL QUESTIONS**

If additional space is required, please attach pages providing the requested information.

1. State the exact name of the utility.

   CenterPoint Energy Houston Electric, LLC

2. State the date when the utility was originally organized.

   January 9, 1906

3. Report any change in name during the most recent year and state the effective date.

   N/A

4. State the name, title, phone number, email address, and office address of the officer of the utility to whom correspondence should be addressed concerning this report.

   Stacey Peterson, Chief Accounting Officer
   P.O. Box 4567, Houston TX 77210-4567
   713-207-5350
   Stacy.Peterson@CenterPointEnergy.com

4a. State the name, title, phone number, email address, and office address of any other individual designated by the utility to answer questions regarding this report (optional).

   Mary A. Kirk, Director Accounting
   P.O. Box 4567, Houston TX 77210-4567
   713-207-5236
   Mary.Kirk@CenterPointEnergy.com

5. State the location of the office where the Company's accounts and records are kept.

   1111 Louisiana, Houston TX 77002

6. State the name, address, phone number, and email address of the individual or firm, if other than a utility employee, preparing this report.

   N/A

7. Please indicate the filing status of the Company regarding federal income taxes, e.g., S-Corps, Corporations, Partnerships, Individuals, etc.

   Limited Liability Corporation

8. Please provide:
   a. The period-ending number of utility employees (total company): 2,694 CEHE 10-K, page XX

   b. The period-ending number of Electric Points of Delivery:

| | | |
|---|---|---|
| Total Company: | 2,651,537 | Sch X.4 |
| Texas Jurisdictional: | 2,651,537 | Sch X.4 |

9. Will the Company have a rate proceeding pending before this commission on the due date of this Earnings Monitoring Report?

   Yes or No ==> No

10. IF THIS IS A REVISED REPORT, provide the schedule number, line number, and column designation where each change input data appears.

    N/A

CenterPoint Energy Houston Electric, LLC
12 Months Ending December 31, 2021



SUMMARY OF REVENUES AND EXPENSES

| Line No. | | (1) Total Company | (2) Non-Regulated or Non-Electric or Other Adjustment* | (3) Total Electric (1)+(2) | (4) Allocation Percentage (5)/(3) | (5) Tx Jurisdictional: Wholesale and Retail | (6) Wholesale Transmission Allocation Percentage** | (7) Wholesale Transmission*** | (8) Retail T&D |
|---|---|---|---|---|---|---|---|---|---|
| 1 | TOTAL REVENUES: | | | | | | | | |
| 2 | Energy Delivery Revenues [Note 1] | [5] $ 2,824,915,994 | $ 83,843,881 | $ 2,908,759,875 | 100.00% | $ 2,908,759,875 | N/A | [4] $ 400,494,548 | [5] $ 2,508,265,327 |
| 3 | Miscellaneous Revenues | [1] 69,170,923 | - | 69,170,923 | 100.00% | 69,170,923 | N/A | [1] 33,874,442 | [1] 35,296,481 |
| 4 | Revenue Sub-total | $ 2,894,086,916 | $ 83,843,881 | $ 2,977,930,797 | | $ 2,977,930,797 | | $ 434,368,990 | $ 2,543,561,808 |
| 5 | | | | | | | | | |
| 6 | Total Revenues | $ 2,894,086,916 | $ 83,843,881 | $ 2,977,930,797 | | $ 2,977,930,797 | | $ 434,368,990 | $ 2,543,561,808 |
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
| 9 | EXPENSES: | | | | | | | | |
| 10 | | | | | | | | | |
| 11 | Operations and Maintenance Expense [Note 2] | $ 1,589,169,645 | $ 101,341,829 | $ 1,690,511,474 | 100.00% | $ 1,690,511,474 | 6.54% | [9] $ 110,638,679 | $ 1,579,872,795 |
| 12 | Amortization Expense [Note 3] | 37,945,241 | - | 37,945,241 | 100.00% | 37,945,241 | -0.13% | [8] (50,213) | 37,995,454 |
| 13 | Depreciation Expense | [2] 379,135,422 | [2] - | 379,135,422 | 100.00% | 379,135,422 | 25.87% | [2] 98,084,329 | 281,051,093 |
| 14 | Interest on REP/CR Deposits | - | - | - | 0.00% | - | 0.00% | - | - |
| 15 | Taxes Other Than Income Taxes | [3] 113,211,855 | [3] - | 113,211,855 | 100.00% | 113,211,855 | 33.68% | [3] 38,127,326 | 75,084,530 |
| 16 | State Taxes | [3] 20,600,510 | [3] - | 20,600,510 | 100.00% | 20,600,510 | 13.73% | [3] 2,828,450 | 17,772,060 |
| 17 | Federal Income Tax [Note 4] | [6] 55,139,531 | 22,896,787 | 78,036,317 | 100.00% | 78,036,317 | 25.61% | [10] 19,983,574 | 58,052,743 |
| 18 | Deferred Expenses | - | - | - | 0.00% | - | 0.00% | - | - |
| 19 | Nonbypassable charges [Note 5] | 151,604,939 | - | 151,604,939 | 100.00% | 151,604,939 | 0.00% | - | 151,604,939 |
| 20 | Other Expenses [Note 6] | - | - | [7] - | 0.00% | - | 0.00% | - | - |
| 21 | TOTAL EXPENSES (lines 11 thru 20) | $ 2,346,807,144 | $ 124,238,616 | $ 2,471,045,759 | | $ 2,471,045,759 | 10.91% | $ 269,612,146 | $ 2,201,433,614 |
| 22 | Return (line 6 minus line 21) | $ 547,279,773 | $ (40,394,735) | $ 506,885,038 | | $ 506,885,038 | 32.50% | $ 164,756,844 | $ 342,128,194 |
| 23 | | | | | | | | | |
| 24 | Non-Operating Income | [6] $ 6,795,332 | $ - | $ 6,795,332 | 100.00% | $ 6,795,332 | | | |
| 25 | AFUDC (Debt and Equity) | [6] $ 33,201,484 | $ - | $ 33,201,484 | 100.00% | $ 33,201,484 | | | |
| 26 | | | | | | | | | |

27 [*] Include supporting documentation for "other adjustments."

28 [**] No inputs are made into the revenue (top) portion of this column; revenues for wholesale transmission are directly input into the top part of column 7. See Schedule I instructions for additional details on calculating the percentage inputs in the bottom portion of this column.

29 [***] The revenues in this column should reflect the payments received from others for wholesale transmission service per the commission's wholesale transmission matrix. See instructions for additional details.

30 [Note 1] See instructions for details regarding the reporting of revenues. Additionally, note that column 8 of this line should correspond to Schedule X.1a,b,c, line 13, column 10.

31 [Note 2] This amount will be carried automatically from Schedule II, line 12.

32 [Note 3] Columns 1, 3, and 5 for this line will be carried automatically from Supplemental Schedule I-1: Amortization Expense, line 22.

33 [Note 4] Columns 3, 5, 7, and 8 of this line will be carried automatically from Schedule IV, line 45.

34 [Note 5] This amount will be carried automatically from Schedule Ia, line 19, and includes only the NBP expenses included in the utility's T&D revenue requirement (i.e., not collected through a separate rider).

35 [Note 6] This amount will be carried automatically from Supplemental Schedule I-2: Other Expenses, line 22.

36

37 [X] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.

38 [1] From: WP I-1

39 [2] From: WP I-3

40 [3] From: WP I-4 TOTI

41 [4] From: WP I-5

42 [5] From: WP I-6

43 [6] From: Table

44 [7] From: SI-2

45 [8] From: WP I-2

46 [9] From: Schedule II

47 [10] From: Schedule IV

CenterPoint Energy Houston Electric, LLC
12 Months Ending December 31, 2021

Schedule Ia

SUMMARY OF OTHER NONBYPASSABLE CHARGES

| Line No. | Item | Texas Jurisdictional | Notes |
|---|---|---|---|
| 1 | REVENUES RELATED TO NONBYPASSABLE CHARGES | | |
| 2 | Nuclear Decommissioning Expense | [1] $ 150,866 | Tariff: 6.1.1.5, 6.1.1.5.1 |
| 3 | Competition Transition Charge (CTC) | - | On PUC Form |
| 4 | Municipal Franchise Fees | [4] 151,604,939 | On PUC Form |
| 5 | System Benefit Fund (SBF) | - | Tariff: 6.1.1.4, 6.1.1.4.1 |
| 6 | Rate Case Expense (RCE) | [3] (96) | Tariff: 6.1.1.6.6 |
| 7 | Transmission Cost Recovery Factor (TCRF) | [3] 1,016,471,475 | Tariff: 6.1.1.6.3 |
| 8 | Energy Efficiency Cost Recovery Factor (EECRF) | [3] 45,229,691 | Tariff: 6.1.1.6.9 |
| 9 | Distribution Cost Recovery Factor (DCRF) | [3] (1,020) | Tariff: 6.1.1.6.13 |
| 10 | Subtotal | $ 1,213,455,855 | |
| 11 | | | |
| 12 | Transition Charges (related to securitized costs) | [2] $ 239,896,493 | Tariff: 6.1.1.2.2, 6.1.1.2.3 , 6.1.1.2.4 , 6.1.1.2.5 |
| 13 | TOTAL NONBYPASSABLE CHARGES | $ 1,453,352,348 | |
| 14 | | | |
| 15 | | | |
| 16 | Amts related to above NBP charges to be reflected in Sch I revenue requirement | | |
| 17 | **(actual amounts of expenses incurred during monitoring period):** | | |
| 18 | Municipal Franchise Fees | $ 151,604,939 | |
| 19 | Total (Note 1) | $ 151,604,939 | |
| 20 | | | |
| 21 | [Note 1] The amount on line 19 is carried automatically to Schedule I, line 19. | | |
| 22 | | | |
| 23 | [X] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV. | | |
| 24 | [1] From: WPIa-1 | | |
| 25 | [2] From: WPIa-2 | | |
| 26 | [3] From: WPIa-3 | | |
| 27 | [4] From: WPI-4a | | |
| 28 | [Note] ADFITC (Tariff 6.1.1.6.10) are not part of Texas Jurisdictional nonbypassable charges and are therefore excluded from the schedule. | | |

OPERATIONS AND MAINTENANCE EXPENSE

| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|---|
| Line No. | Item | Total Company | Non-Regulated or Non-Electric or Other Adjustments* | Total Electric (1)+(2) | Allocation Percentage (5)/(3) | Tx Jurisdictional: Wholesale and Retail | Wholesale Transmission Allocation Percentage** | Wholesale Transmission | Retail T&D |
| 1 | Transmission Operations Expenses | (1) $ 22,652,961 | (1) $ - | $ 22,652,961 | 100.00% | $ 22,652,961 | 100.00% | (1) $ 22,652,961 | (1) $ - |
| 2 | Transmission Maintenance Expenses | (1) 33,020,571 | (1) - | 33,020,571 | 100.00% | 33,020,571 | 97.12% | (1) 32,069,874 | (1) 950,697 |
| 3 | Distribution Operations Expenses | (1) 114,651,703 | (1) - | 114,651,703 | 100.00% | 114,651,703 | 0.00% | (1) - | (1) 114,651,703 |
| 4 | Distribution Maintenance Expenses | (1) 115,142,296 | (1) - | 115,142,296 | 100.00% | 115,142,296 | 4.18% | (1) 4,810,027 | (1) 110,332,269 |
| 5 | Customer Accounts Expense | (2) 20,187,863 | (2) - | 20,187,863 | 100.00% | 20,187,863 | 0.00% | - | 20,187,863 |
| 6 | Customer Service and Informational Expense | (2) 37,666,097 | - | 37,666,097 | 100.00% | 37,666,097 | 0.00% | - | 37,666,097 |
| 7 | Sales Expense | - | - | - | 0.00% | - | 0.00% | - | - |
| 8 | Wholesale transmission matrix payments to others | (3) 999,786,927 | (3) 101,469,489 | 1,101,256,416 | 100.00% | 1,101,256,416 | 0.00% | - | 1,101,256,416 |
| 9 | Administrative & General Operations Expenses | (1) 244,920,324 | (1) (127,660) | 244,792,664 | 100.00% | 244,792,664 | 20.78% | (1) 50,861,208 | (1) 193,931,456 |
| 10 | Administrative & General Maintenance Expenses | (1) 1,140,903 | (1) - | 1,140,903 | 100.00% | 1,140,903 | 21.44% | (1) 244,610 | (1) 896,293 |
| 11 | | | | | | | | | |
| 12 | TOTAL OPERATIONS AND MAINTENANCE EXP | (4) $ 1,589,169,645 | (4) $ 101,341,829 | (4) $1,690,511,474 | | (4) $ 1,690,511,474 | 6.54% | (4) $ 110,638,679 | (4) $ 1,579,872,795 |

13
14 (*) Include supporting documentation for "other adjustments."
15 (**) See instructions for Schedule II to calculate this column.
16
17 [X] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV.
18 (1) From: WPII-1
19 (2) From: Table
20 (3) From: WP1-5
21
22 *Column 2 Adjustments:
23 Amount reflected in column 2 for Wholesale transmission matrix payments to others reflects the amount of CEHE Transmission / Distribution Service Provider interdivisional expense
24 (4) To: Schedule I

CenterPoint Energy Houston Electric, LLC
12 Months Ending December 31, 2021

Schedule III

INVESTED CAPITAL AT END OF REPORTING PERIOD

| Line No. | Item | (1) Total Company | (2) Non-Regulated or Non-Electric or Other Adjustments* | (3) Total Electric (1)+(2) | (4) Allocation Percentage (5)/(3) | (5) Tx Jurisdictional: Wholesale and Retail | (6) Wholesale Transmission Allocation Percentage** | (7) Wholesale Transmission | (8) Retail T&D (5)-(7) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Plant in Service | (1) $ 14,416,245,159 | (1) $ (29,365,067) | $ 14,386,880,092 | 100.00% | $ 14,386,880,092 | 35.21% | (1) $ 5,065,532,981 | $ 9,321,347,111 |
| 2 | Accumulated Depreciation (Note 2) | (2) (4,299,680,845) | (2) 14,713,664 | (4,284,967,181) | 100.00% | (4,284,967,181) | 22.92% | (2) (982,026,494) | (3,302,940,687) |
| 3 | | | | | | | | | |
| 4 | Net Plant In Service (lines 1 thru 2) | $ 10,116,564,314 | $ (14,651,403) | 10,101,912,911 | | $ 10,101,912,911 | 40.42% | $ 4,083,506,488 | $ 6,018,406,424 |
| 5 | Construction Work in Progress | (6) 685,810,110 | (6) - | 685,810,110 | 100.00% | 685,810,110 | 60.54% | (6) 415,216,022 | 270,594,088 |
| 6 | Plant Held for Future Use | (3) 10,501,381 | - | 10,501,381 | 100.00% | 10,501,381 | 97.03% | (3) 10,189,176 | 312,204 |
| 7 | Working Cash Allowance | (7) 24,269,000 | - | 24,269,000 | 100.00% | 24,269,000 | 16.00% | (7) 3,882,000 | 20,387,000 |
| 8 | Materials and Supplies | (4) 259,312,436 | (4) - | 259,312,436 | 100.00% | 259,312,436 | 41.55% | (4) 107,744,604 | 151,567,833 |
| 9 | Prepayments | (4) 42,986,891 | (4) 95,065,395 | 138,052,286 | 100.00% | 138,052,286 | 18.94% | (4) 26,153,666 | 111,898,620 |
| 10 | Other Invested Capital Additions (Note 1) | 475,629,955 | (85,673,220) | 389,956,735 | 100.00% | 389,956,735 | 2.60% | (4) 10,122,770 | 379,833,965 |
| 11 | Deferred Federal Income Taxes (Note 2) | (5) (1,154,659,452) | (5) 32,015,422 | (1,122,644,030) | 100.00% | (1,122,644,030) | 34.75% | (5) (390,126,851) | (732,517,179) |
| 12 | Advances For Construction (Note 2) | (4) (22,006,386) | - | (22,006,386) | 100.00% | (22,006,386) | 30.59% | (4) (6,731,753) | (15,274,632) |
| 13 | Property Insurance Reserve (Note 2) | (4) 17,341,896 | (4) - | 17,341,896 | 100.00% | 17,341,896 | 0.00% | (4) - | 17,341,896 |
| 14 | Injuries and Damages Reserve (Note 2) | (4) (31,168,155) | (4) - | (31,168,155) | 100.00% | (31,168,155) | 36.56% | (4) (11,393,685) | (19,774,470) |
| 15 | Customer Deposits (Note 2) | (4) (1,002,242) | (4) - | (1,002,242) | 100.00% | (1,002,242) | 0.00% | (4) - | (1,002,242) |
| 16 | Unclaimed Dividends (Note 2) | - | - | - | 0.00% | - | 0.00% | - | - |
| 17 | Other Invested Capital Deductions (Note 2)(Note 3) | (844,221,470) | 40,785,658 | (803,435,812) | 100.00% | (803,435,812) | 32.76% | (263,242,660) | (540,193,153) |
| 18 | | | | | | | | | |
| 19 | | | | | | | | | |
| 20 | TOTAL INVESTED CAPITAL (lines 4 thru 17) | $ 9,579,358,277 | $ 67,541,853 | $ 9,646,900,129 | | $ 9,646,900,129 | 41.31% | $ 3,985,319,777 | $ 5,661,580,352 |
| 21 | | | | | | | | | |
| 22 | Less: CWIP and PHFU (Note 4) | | | $ 696,311,490 | | $ 696,311,490 | 61.09% | $ 425,405,198 | $ 270,906,292 |
| 23 | Ending CWIP in Rate Base | | | (3) 49,303 | | 49,303 | 0.00% | (3) - | 49,303 |
| 24 | | | | | | | | | |
| 25 | TOTAL INVESTED CAPITAL--ADJUSTED | | | $ 8,950,637,942 | | $ 8,950,637,942 | | $ 3,559,914,579 | $ 5,390,723,363 |
| 26 | | | | | | | | | |
| 27 | Return (Note 5) | | | (8) $ 506,885,038 | | $ 506,885,038 | | $ 164,756,844 | $ 342,128,194 |
| 28 | Rate of Return (line 27 / line 25) | | | 5.66% | | 5.66% | | 4.63% | 6.35% |
| 29 | Earned Return on Ending Equity (based on reported capital structure in Sch. V) | | | 7.86% | | 7.86% | | 5.42% | 9.46% |
| 30 | (line 28 will automatically calculate correctly only after Schedule I, II, | | | | | | | | |
| 31 | III, IV, and V are ALL completed.) | | | | | | | | |
| 32 | | | | | | | | | |
| 33 | **Weather-Adjusted Data** | | | | | | | | |
| 34 | Return (Schedule I, line 22 adjusted) | | | $ 495,008,583 | | $ 495,008,583 | | $ 164,756,844 | $ 330,251,739 |
| 35 | Rate of Return (line 34 / line 25) | | | 5.53% | | 5.53% | | 4.63% | 6.13% |
| 36 | Earned Return on Ending Equity (based on reported capital structure in Sch V) | | | 7.54% | | 7.54% | | 5.42% | 8.94% |
| 37 | (Line 40 will automatically calculate correctly only after Schedules I, II | | | | | | | | |
| 38 | III, IV, and V are ALL completed.) | | | | | | | | |
| 39 | | | | | | | | | |
| 40 | | | | | | | | | |
| 41 | | | | | | | | | |
| 42 | | | | | | | | | |
| 43 | | | | | | | | | |
| 44 | (*) Include supporting documentation for "other adjustments." | | | | | | | | |
| 45 | (**) See instructions for Schedule III to calculate this column. | | | | | | | | |
| 46 | (Note 1) This amount will be carried automatically from Supplemental Schedule III-1: Other Invested Capital Additions, line 29. | | | | | | | | |
| 47 | (Note 2) These items are typically DEDUCTIONS from invested capital and thus should normally be entered as NEGATIVE amounts. | | | | | | | | |
| 48 | (Note 3) This amount will be carried automatically from Supplemental Schedule III-2: Other Invested Capital Deductions, line 24. | | | | | | | | |
| 49 | (Note 4) Include the appropriate amounts from lines 5 and 6 (only PHFU balances falling outside the 10-year construction window are excluded). | | | | | | | | |
| 50 | | | | | | | | | |
| 51 | [X] Indicate here if footnote or comment relating to this schedule is included on Supplemental Schedule IV. | | | | | | | | |
| 52 | (Note 5) Schedule I, line 22 | | | | | | | | |