



Filing Receipt

Received - 2022-05-20 09:26:11 AM
Control Number - 53442
ItemNumber - 86

**SOAH DOCKET NO. 473-22-2353
PUC DOCKET NO. 53442**

| | | |
|-------------------------------------|----------|--------------------------------|
| APPLICATION OF CENTERPOINT | § | BEFORE THE STATE OFFICE |
| ENERGY HOUSTON ELECTRIC, LLC | § | |
| FOR APPROVAL TO AMEND ITS | § | OF |
| DISTRIBUTION COST RECOVERY | § | |
| FACTOR | § | ADMINISTRATIVE HEARINGS |

May 20, 2022

**Contact: Denise Gaw
CenterPoint Energy Service Company, LLC
1111 Louisiana, 19th Floor
Houston, Texas 77002
Telephone: (713) 207-5956
Fax: (713) 207-9840
denise.gaw@centerpointenergy.com**

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|--------------------|
| CenterPoint Energy Houston Electric, LLC's Responses to Texas Coast Utilities Coalition Third Set of RFIs | 2-211 |
| Certificate of Service | 212 |

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 53442
SOAH NO. DOCKET NO. 473-22-2353**

**Texas Coast Utilities Coalition's
REQUEST NO.: TCUC03-01**

QUESTION:

[Reference CEHE Response to TCUC RFI No. 1-6] Please provide a copy of the Cost Allocation Manual that provides the detailed activities of the cost centers listed in response to TCUC RFI No. 1-6.

ANSWER:

Please see TCUC03-01 - 2021 Corporate Cost Center Manual Attachment 1.pdf describing the activities for the cost centers listed in response to TCUC RFI01-06, except for cost centers 156302,156307, 156308, 156309 and 156310.

TCUC03-01 - 2021 Continuous Improvement Cost Center Manual Attachment 2.pdf describes the activities for cost centers 156302,156307, 156308, 156309 and 156310.

SPONSOR (PREPARER):

Mary Kirk and Michelle Townsend

RESPONSIVE DOCUMENTS:

TCUC03-01 - 2021 Corporate Cost Center Manual Attachment1.pdf

TCUC03-01 - 2021 Continuous Improvement Cost Center Manual Attachment 2.pdf

CenterPoint Energy Service Company, LLC & CenterPoint Energy Resources Corporation

**Continuous Improvement Cost Center
Assignment Manual**
As of December 2021

Docket 53442
2022 DCRF Filing
TCUC03-01 - 2021 Continuous Improvement Cost Center Manual Attachment 2
Page 1 of 6

Continuous Improvement

Cost Center 156302

Major activities:

Develop and grow the Continuous Improvement culture through training and communication as well as the implementation of business unit planning to align corporate strategy with targeted improvement initiatives.

Assignment method:

Assignable internal labor charges are billed directly to the applicable business unit, with 50% going to A&G overhead.

All other costs are assigned based on Headcount B, allocating to all active employees.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the company process and technology change activities for the organization both O&M and Capital. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.

Director of SMS & CI

Cost Center 156307

Major activities:

Continuous Improvement designs and implements processes and procedures for operations.

Assignment method:

Assignable internal labor charges are billed directly to the applicable business unit, with 50% going to A&G overhead.

All other costs are assigned based on Headcount B, allocating to all active employees.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the company process and technology change activities for the organization both O&M and Capital. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.

CI Gas Ops and Corp

Cost Center 156308

Major activities:

Major activities that Gas CI cost center is responsible for: Plan, conduct, and implement Continuous Improvement initiatives for Gas Operations and Corporate business units. Utilize lean tools and problem-solving sessions to identify waste and opportunities and support the corporate strategy.

Assignment method:

Assignable internal labor charges are billed directly to the applicable business unit, with 50% going to A&G overhead.

All other costs are assigned based on Headcount B, allocating to all active employees.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the company process and technology change activities for the organization both O&M and Capital. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.

Docket 53442
2022 DCRF Filing
TCUC03-01 - 2021 Continuous Improvement Cost Center Manual Attachment 2
Page 4 of 6

CI Electric and Corp

Cost Center 156309

Major activities:

Plan, conduct, and implement Continuous Improvement initiatives for Electric Operations and Corporate business units. Utilize lean tools and problem-solving sessions to identify waste and opportunities and support the corporate strategy.

Assignment method:

Assignable internal labor charges are billed directly to the applicable business unit, with 50% going to A&G overhead.

All other costs are assigned based on Headcount B, allocating to all active employees.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the company process and technology change activities for the organization both O&M and Capital. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.

CI Project Management

Cost Center 156310

Major activities:

Partner with corporate and business unit groups to identify, prioritize, and plan short-to-long term opportunities involving process and/or technology changes. Create governance structures and coordinate project deliverables within approved budget and timeline constraints.

Assignment method:

Assignable internal labor charges are billed directly to the applicable business unit, with 50% going to A&G overhead.

All other costs are assigned based on Headcount B, allocating to all active employees.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on the managing of the company process and technology change activities for the organization both O&M and Capital. These costs are cost incurred by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Headcount B, allocating to all active employees.

**CenterPoint Energy Service
Company, LLC
&
CenterPoint Energy Resources
Corporation**

**Corporate Cost Center
Assignment Manual
As of December 2021**

Last updated 1/31/2022

Introduction

Company operations

CenterPoint Energy (CNP) is a large, diversified energy services company. Its operations include regulated electric utility services, regulated natural gas distribution, natural gas gathering, competitive natural gas sales and services, and regulated interstate pipelines. These operations are carried out through business units which may be individual or groups of subsidiaries of CNP. The business units maintain their own accounting records, including general ledgers. In addition, CNP maintains a corporate general ledger where the costs of certain centralized corporate oversight activities are recorded and accounted for. These activities include those necessary for the overall governance of any large, publicly-held enterprise such as executive oversight, finance, corporate planning, corporate development, legal, corporate communications, human resources, regulatory and government affairs. It is the activities performed through these corporate “centers”, which are maintained on the corporate general ledger, that are subject to cost assignment using the methodology set forth in this manual.

In addition, there may be other services provided by one or more business units on behalf of another business unit. Those services are not covered by this manual.

Regulation

Some of CNP’s business units which will receive the assignment of costs set forth in this manual are regulated utilities. CNP has regulated utility operations in six states. Therefore, it is important that the cost assignment methods used be acceptable in all regulatory jurisdictions. It would be unworkable if one jurisdiction required a certain cost be assigned using a different method than another jurisdiction. To help ensure that the cost assignment methods would be acceptable in all jurisdictions, CNP engaged the firm of Maximus Inc., a firm that specializes in assignment studies, to assist in the preparation of the cost study. Many of Maximus’ clients are regulated utilities and government agencies. Maximus recommends the assignment method and the CNP staff actually calculates cost assignments.

Introduction

Regulation continued

On January 1, 2004, the Corporate areas of CNP were established as a Service Company under the Public Utility Act of 1935. In order to meet the requirements for a Service Company, CNP had to meet the reporting requirements of the Security and Exchange Commission along with the Generally Accepted Billing Practices by the PUCs within the regions of CenterPoint Energy's operations. In the fall of 2005, the Public Utility Act of 1935 was repealed with the establishment of the Energy Act of 2005. CNP continues to support the various requirements of the PUCs within the regions of CenterPoint Energy's operations.

Because CNP operates in multiple state regulated jurisdictions, the approach used in the allocation of Corporate support costs follows the cost allocation principles of the National Association of Regulatory Utility Commissioners (NARUC) "Guidelines for Cost Allocations and Affiliate Transactions". Pursuant to those guidelines, to the maximum extent practicable, administrative costs are collected, classified, and charged on a direct basis for services rendered. Maximus assisted CNP in identifying the primary cost driver (or a relevant proxy) for common costs, and the relevant cost allocators for the indirect costs of each business unit.

In choosing the assignment methods, Maximus selected cost drivers which meet the five criteria set forth on page six of the manual: (1) cost causative, (2) measurable, (3) objective, (4) stable or predictable and (5) consistently applicable. These criteria are critical because CNP is an organization in transition. It is CNP's intention to continue to pursue acquisitions to grow its existing operations. Because the portfolio of businesses will continue to change, CNP selected cost assignment methods which would continue to be meaningful and appropriate in a changing environment.

Anticipated changes

Although the methodology is flexible, the way in which it is applied across the corporate center will likely be different as CNP transitions through time. Corporate cost centers will be added and deleted and the activities within a cost center may change, so as to necessitate use of a new assignment formula.

As changes occur, CNP will update the manual and processes with the necessary changes. It is important to understand that process changes will not affect the cost assignment methodology, but merely how it is applied.

The remainder of the manual discusses the assignment method, the criteria for selections, and the calculation process.

Purpose of Assignment of Corporate Overhead Costs

The purpose of assigning corporate overhead costs to individual segments and business units is to reflect all costs of doing business in each segment and business unit including corporate overhead costs thereby reflecting the financial results of operations as though the segment or business unit had operated independently of all others.

This is consistent with the cost allocation principles outlined in NARUC's "Guidelines for Cost Allocations and Affiliate Transactions" in that the general method for charging affiliates should be on a fully allocated cost basis. In addition, in order to recognize that the registered holding company should be allocated a fair and equitable amount of service corporation charges, any statistical measures used in allocating costs from "corporate governance" departments also include the holding company's statistics.

Definition of Corporate Costs to Be Assigned

The combined CNP company is staffed with certain centralized functions operating in support of more than one of its business units. These functions are required to comply with external government and regulatory requirements or driven by valid business needs. Through centralization, duplication of staff and resources is minimized. It is these common centralized functions, which are not otherwise supporting a single business unit, that are considered “corporate costs.”

Assigned corporate costs do not include billings from one business unit to another for services which reside outside of the corporate center (e.g., GIS, meter reading, transportation, line locating). Nor does it include direct charges which are specific charges incurred directly in support of a business unit and billed directly to that business unit.

Basis of Assignment of Corporate Costs

In order to obtain a reasonable cost assignment method,
the Company adhered to the following criteria:

Cost-causative--

The distribution method should represent the relationship between the cause for the expense being incurred and the effect that the activity (and its associated cost) has on the operations of the benefiting business unit.

Measurable--

The distribution method should be derived from operational or financial data which is subject to internal accounting controls and independently auditable.

Objective--

The ability to influence the outcome of the distribution of any costs that cannot be directly linked to a specific business unit must be avoided. The method should reflect the causative nature of the incurred costs, with no intrinsic bias towards any business unit.

Stable/Predictable--

The distribution method should not produce inherent variations in the distribution of costs which are not related to fundamental changes in the service level provided.

Consistently applicable--

The amounts distributed to any one business unit should be no higher than those charged to any other business unit on a per unit of usage basis. Basically, the cost per unit should be the same for all users of that particular service.

Methodology of Assignment of Costs

Steps for assignment of costs:

1. Identify costs billed to the Holding Company
2. Identify direct charge specific support
3. Identify legislative advocacy and charitable contribution costs
4. Identify CenterPoint Energy corporate overhead
5. Classify remaining support
 - A. Internal
 - B. External
 - C. Composite of Internal & External support
6. Identify and assign internal customer costs through fixed distribution
7. Identify and assign costs to support external stakeholders
8. Identify and assign cost using Composite Ratio Formula

The following pages outline these steps in further detail

Step 1: Identify Costs Billed to the Holding Company

All corporate costs that are 100% billable to the Holding Company are identified. For example, corporate development expenses are not billed to the business unit's. Non-billable costs are captured in the CNP financial statements in separate cost centers to ensure these costs are not distributed to the business units.

CNP non-billable cost centers

| <u>Cost center</u> | <u>Description</u> |
|--------------------|--------------------------------------|
| 125003 | Integration Management Office |
| 125150 | World Energy Congress |
| 125153 | Division VP Business Development |
| 125310 | Executive Benefits Unallocated |
| 125451 | Aircraft* |
| 125452 | Aircraft* |
| 125453 | Other Non-Allocable Costs (Overhead) |

*If an SBU uses the corporate airplane, the SBU will receive a charge for the service. Otherwise, the costs are billed to the Holding Company. All charges for aircraft usage are made to unique cost elements that are assigned to a non-recoverable FERC account.

Step 2: Identify Direct Charge Specific Support

Each corporate cost center is responsible for charging expenses incurred directly on behalf of any single business unit to that business unit. Direct billed charges can be either external or internal. External direct charges such as travel, consulting and legal services are costs paid to third parties on behalf of a specific business unit. Internal direct charges are labor costs charged to certain projects performed by CNP personnel for a specific business unit. In these instances, CNP corporate personnel track time and expenses and these costs are billed directly to the business unit.

Direct charges related to services procured, managed, or brokered by a corporate cost center on behalf of a business unit are incurred in a corporate cost object and then re-billed directly to the specific business unit. A monthly over/under cost recovery true-up is allocated to clients in proportion to annual planned billings.

Step 2: Identify Direct Charge Specific Support

| | |
|--|---|
| Cost centers directly charged: | |
| •125019 Corporate Communications | •156101 FM Corp Real Estate & Facil Mgmt-Director |
| •125020 Corporate Legal | •156102 FM Project Management |
| •125036 Environmental Services & Compliance | •156104 FM Building Operations - Houston Division |
| •125037 Accounts Payable | •156111 FM ECDC Building Services |
| •125038 Check Print | •156124 OSS Houston Travel & Office Support Svcs |
| •125039 Bank Reconciliation | •156132 OSS Houston Mail Services |
| •125051 Remittance Processing | •156136 OSS Houston Forms/Document Services |
| •125056 Community Relations | •156141 OSS Shreveport Services Management |
| •125095 Risk Control Manager | •156142 OSS Shreveport Copy Center |
| •125096 Financial Accounting & Reporting | •156145 P&L Purchasing & Logistics Director |
| •125104 Property Accounting | •156146 P&L Gas LDC Purchasing |
| •125108 Gas Cost Accounting | •156148 P&L IT Procurement and Strategic Sourcing |
| •125112 Regulatory Reporting | •156149 P&L Investment Recovery |
| •125113 Financial Accounting - Gas | •156150 P&L Gas Operations Purchasing & Logistics Manager |
| •125115 Residential Electric Billing | •156151 P&L Corporate Purchasing |
| •125119 Financial Accounting | •156152 P&L Supplier Diversity |
| •125122 OnePay Compliance/Admin | •156155 P&L Contract Administration |
| •125121 Commercial Credit | •156156 Strategic Sourcing Director |
| •125127 Large Commercial & Industrial Billings | •156160 SEC Security Director |
| •125132 Regulatory Reporting – Gas | •156161 SEC Patrol Services |
| •125136 Financial Acctg – MES, CEIP & MNG | •156171 BSS Administration |
| •125151 Senior & Division VP Energy Services | •156172 BSS Services Xcharges |
| •125152 Vice President | •156175 BSS Depreciation & Other |
| •125202 Cash Management | •159057 Fleet Support |
| •125218 Business Services | •159101 Fleet Capital Support |
| •125420 Legal Regulatory | •159102 PM&L Operations |
| •125421 Legal Litigation | •125123 Business & Operations Support Division Vice President |
| •159022 Regulatory | |
| •159044 Claims | |

Step 3: Identify Legislative Advocacy and Charitable Contribution Costs

In order to adhere to certain public utility commission (PUC) requirements, certain expenses must be specifically identified for regulated business units. For example, legislative advocacy and charitable contributions must be specifically identified during billing so that regulated business units can report and treat these costs consistently with PUC directives and rules. Procedurally this step is accomplished by charging these costs to specific cost centers and accounts.

Legislative advocacy

The legislative advocacy cost centers are externally focused. The cost drivers for the legislative advocacy cost centers are shown on below:

Based on assets:

- 125042 Texas State Relations
- 125044 Federal Relations
- 125050 Local Relations
- 125087 IN Local Relations
- 125088 IN/OH VP Govt Affairs

Assigned to business units operating in Texas:

- 125430 Cedar Bayou Conference Center

Charitable contributions

Charitable contributions are incurred and billed to specific accounts for proper regulatory identification and assignment by the business units.

Step 4: Identify CNP Corporate Overhead

Any costs included within certain cost center's expenditures that represent overhead costs for CNP corporate personnel are identified. Once Identified, the overhead costs are charged to business units based on the total CNP labor dollars distributed per business unit or assets of the business units.

The labor assignment method is used because the majority of CNP corporate overhead are personnel related; therefore, they should follow the distribution of CNP labor to the business units.

The activities which primarily represent overhead costs for CNP corporate personnel such as depreciation costs are assigned based on assets of the business units.

Corporate Overhead

Based on labor dollars:

- 125308 HR - Allocated Employee Benefits (Burden)
- 125311 ASC 715 Non Service Benefits
- 125312 ASC 715 Non Service Benefits (Non-Allocated)

Based on SBU Assets:

- 125198 Corporate Accounting Transactions (Corp Overhead)
- 125140 IN/OH Environmental Services

Step 5: Classify Remaining Support

All costs remaining after identifying (1) Holding Company costs, (2) direct charges, (3) legislative advocacy and charitable contribution costs and (4) corporate overhead costs must be evaluated and a general determination made as to whether “internal” or “external” customers are primarily being served by the cost center.

The remaining Corporate costs are distributed to the business units on either a statistical basis or a logical cost driver. These costs are incurred in centralized functions operating in support of multiple business units to comply with government or regulatory requirements (governance) or to leverage economic value from a centralized organizational approach (support).

- Governance Cost - Allocated cost applicable to corporate departments aligned to meet fiduciary responsibilities, establish policy and provide oversight to operations of the enterprise, in compliance with government or regulatory requirements.
- Support Cost - Allocated cost applicable to corporate departments that provide functional services to multiple business units leveraging economic benefit to the combined enterprise. Support cost is further evaluated to determine whether “internal” (Business units and/or their employees) or “external” (Customers, CNP investors, regulators, the business community, and the media) constituents are primarily being served by the cost center. Support cost to internal constituents is distributed on units of use or volumetric measures depending on the cost driver, while support cost associated with external constituents is distributed based on other sound allocation methods.

Step 6: Identify and Assign Internal Customer Support Costs Through Fixed Distribution

Assignment through a fixed distribution involves conducting a detailed review of each corporate function to determine a specific cost-causation for each service provided. This cost-causation study results in a distribution percentage that is applied to cost center expenditures. This percentage is the cost-causation driver or statistic for each business unit over the total driver or statistic. For example, transmission & distribution utility assets would be the statistic over the assets (total statistic). If there are multiple cost-drivers for the activities of the cost center, then the cost center dollars will be assigned based on the ratio of the dollars for each cost driver to the total applicable dollars. Normally, the activity can be classified as primarily representing the following categories:

- Corporate administration services
- Human services
- Financial services

The cost centers are grouped by assignment method in order to facilitate the identification and assignment of internal customer support costs.

Step 6: Identify and Assign Internal Customer Support Costs Through Fixed Distribution (continued)

Internal Customer Support Costs

Based on operating expenses (less fuel):

- 125070 Financial Accounting Systems and Processes
- 125102 Federal Tax
- 125109 Transaction & Ad Valorem Tax
- 125131 Financial Accounting Gas & Monthly Close
- 125134 Tax VP
- 125217 D&O Insurance
- 104396 CERC Insurance

Based on number of employees:

- 125120 VP Safety & Technical Training
- 125125 Finance – Payroll & Benefit Accounting
- 125130 Payroll Administration & Compliance
- 125133 Safety Management System
- 125141 Safety Information Management Systems
- 125142 Technical Training
- 125143 Technical Training Administration
- 125144 Occupational Health & Safety Info System
- 125145 Workers Compensation
- 125146 Drug & Alcohol Testing
- 125171 HR – Recruitment Strategy
- 125175 HR – Talent Acquisition Services
- 125176 HR – Talent Acquisition Support
- 125181 HR – Learning & Organization Development
- 125186 HR – Wellness Activity Center
- 125187 HR – Information Technology
- 125197 HR – Shared Services
- 125410 HR – College Relations

Step 6: Identify and Assign Internal Customer Support Costs Through Fixed Distribution (continued)

Based on number of employees: (continued)

- 158801 HR – Electric Operations
- 158802 HR – Compensation
- 158803 HR – Benefits
- 158805 HR – Gas Operations
- 158806 HR – Gas Ops Support

Based on customer count:

- 159049 Customer Service Training
- 125085 IN/OH Rates/Regulatory
- 125086 IN/OH Regulatory Relations & Policy

Step 7: Identify and Assign Costs to Support External Stakeholders

The next step in the process is the distribution of any external support costs. External support costs benefit the overall management and operations of the business units and therefore, indirectly its customers, investors and communities in which it operates. In order to operate, a business unit generally must have assets and liabilities. As operations expand and grow, the balance sheet reflects this growth. The larger entities within the consolidated group are generally provided more support by corporate centers in terms of resources and time spent on their operations. In addition, the more significantly sized business units tend to be those “served first” where decisions must be made affecting all business units. Therefore, where support is provided either directly or indirectly the largest business units needs will tend to be given a higher priority. An assignment based on asset values as a reasonable proxy for size, will therefore best meet the causation criteria which should be considered in selecting an assignment method.

Please refer to the cost centers listed below. The cost centers are grouped by assignment method in order to facilitate the identification and assignment of external stakeholder support costs.

External stakeholder support costs

Based on assets:

- 125093 Financial Services
- 125214 Corporate Insurance Premiums
- 104304 CERC Finance
- 104397 CERC Directors/Officers
- 125140 IN/OH Environmental Services

Step 8: Identify and assign cost using Composite Ratio Formula

The final step in the process is the distribution of specific governance costs. The Composite Ratio Formula allocates costs incurred by a Service Company on behalf of its affiliates to those affiliates. This three-part formula attempts to weight various aspects of each of the affiliates so that a fair distribution of the overhead cost is allocated to each affiliate member. The concept behind the Composite Ratio Formula attempts to balance conceptual correctness and practicality to provide a consistent and equitable allocation. Since CNP is operating in a capital-intensive industry, one of CNP's key focuses is to manage their assets to ensure the generation of revenues. Another key focus is to produce an ample revenue flow to meet the financial obligations along with a reasonable rate of return as established by each Public Utility jurisdiction in which CNP operates. Therefore, due the environment in which CenterPoint Energy (CNP) operates, assets and gross margin are given a higher weight than headcount.

Combination of Internal & External stakeholder support costs Based on Composite Ratio:

| | | | |
|---------|---|----------------|--------------------------------------|
| •125001 | President & CEO | •125152 | Executive Vice President |
| •125002 | Chief Operating Officer | •125203 | Corporate Insurance/ Risk Management |
| •125004 | Executive VP & CFO | •125205 | Investor Services |
| •125007 | Financial Planning & Performance Management | •125210 | Long Term Financing |
| •125008 | Finance Process Improvement | •125211 | Investor Relations |
| •125021 | Central Legal | •125307 | SVP & Chief HR Officer |
| •125033 | Process Improvement | •125309 | HR – Allocated Executive Benefits |
| •125055 | Compliance | •125402 | Enterprise Risk |
| •125083 | Corp Communications | •125404-125409 | Audit Services |
| •125090 | Strategic Planning | •125413 | Data Privacy |
| •125100 | Chief Accounting Officer | •125422 | Legal Securities and Governance |
| •125101 | Financial Reporting / Corporate Accounting | •125423 | Data Privacy/Records |
| •125135 | Strat/FP&A/Perf Mgmt VP | •125999 | Legal - Board of Directors |
| •125036 | Environmental Services & Compliance | •159069 | EVP - Utility |
| •125154 | IN/OH Electric & Gas Accounting | | |

Cross Charges - Final Settlement Cost Centers

Major activities/Cost Center Overview:

Cost centers are established to accumulate all charges from the Functional Areas cost centers to be billed to the Business Units and other Corporate Business Services organizations, such as Finance, Legal, Communications, Government Affairs, Executive Office, Human Resources and Information Technology.

For administrative tracking and reporting, a standard allocation method is used to distribute all cross charged support between all Service Company 0002 organizations.

Assignment method:

- Support to other Service Company 0002 organizations from the Functional Areas are allocated into their final settlement cost centers for the business units based on their own respective billings into each.
- Support from other Service Company 0002 organizations to the Functional Areas are allocated into the Functional Area's final settlement cost centers based on Function's total billings into each.
- Each final settlement cost center is fully allocated to the applicable business unit.

Basis of assignment:

Final settlement cost centers are established to accumulate charges for proper FERC classification when billing to business units. All billed expenses of a like nature are grouped and allocated using designated secondary cost elements for each function and type of expense.

Senior Executive Office

President and Chief Executive Officer

Cost Center 125001

Major activities:

General activities and costs to support the office of the CEO such as salaries of the CEO and an executive assistant.
Oversees operations and strategic direction of the company

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Activities of this cost center primarily relate to providing support and interfacing with the board of directors and external entities such as stockholders, the investment community, customers and regulators. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Chief Operating Officer

Cost Center 125002

Major activities:

General activities and costs to support the office of the COO such as salaries of the COO and an executive assistant.
Oversees operations and strategic direction of the company

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Activities of this cost center primarily relate to providing support and interfacing with the board of directors and external entities such as stockholders, the investment community, customers and regulators. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Process Improvement

Cost Center 125033

Major activities:

General activities and costs to support corporate and business units.
Assistance to business units in the development of strategies.
Economic and financial analysis of business unit and corporate strategies.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Senior & Division VP Energy Services

Cost Center 125151

Major activities:

General activities and costs to support strategic planning for CenterPoint Energy Services such as salaries of Senior & Division VP Energy Services employees, administrative, consulting costs, etc.

Assignment method:

90% to CES and 10% to the Holding Company

Basis of assignment:

Based on a review of the activities of this cost center, the costs incurred by this cost center are billed 90% to CES and 10% to the Holding Company.

Executive Vice President

Cost Center 125152

Major activities:

General activities and costs to support strategic planning/business development for corporate and business units such as salaries of strategic planning/business development department employees, administrative, consulting costs, etc.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

EVP UTILITY

Cost Center 159069

Major activities:

Oversees the Utility operations by identifying, creating, and maintaining common processes and strategic direction for the utility operations division.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Finance & Accounting

Executive VP and CFO

Cost Center 125004

Major activities:

General activities and costs to support the office of the CFO such as salaries of the CFO and an executive assistant.
Oversees the financial & accounting operations and financial strategic direction of the company

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services can be classified as financial services with an emphasis on financial compilation, review, planning and management. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Financial Planning & Performance Management

Cost Center 125007

Major activities:

Planning and business unit performance reviews.
Financial forecasting.
Development of plans and goals.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services can be classified as financial services with an emphasis on one year and five year financial forecast compilation and analysis. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Finance Process Improvement

Cost Center 125008

Major activities:

General activities and costs to support corporate and business units. Assistance to business units in the development of strategies. Economic and financial analysis of business unit and corporate strategies.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate finance strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Accounts Payable

Cost Center 125037

Major activities:

Accounts Payable provides three (3) services which include: automated invoice processing, for all invoices processed via electronic payment, manual invoice processing for invoices manually entered into SAP by the central A/P staff, and special payment runs, authorized only in an emergency outside of normal payment runs (7:00 a.m. and 1:00 p.m.)

Assignment method:

Method of invoice entry into the accounts payable system

Number of line item transactions

Billable Hours

A portion of Accounts Payable allocations are capitalized to each business unit utilizing its services since the materials & supplies and contract services used to build plant assets could not be paid for without this function

Basis of assignment:

- A/P provides three (3) transaction driven services, each with its own fixed annual rate. They are: Manual Invoice Processing, Automated Invoice Processing, and Special Payment Runs.
- Emergency payments (requiring special payment run) are billed at a flat rate of \$250 per payment.
- Manual and Automated Invoice Processing services are billed to a client (monthly) based on the number of transactions times the service rate.
- Individual service rates are determined annually by calculating the total annual cost of providing a given service by the number of annual transactions estimated for the service.
- The estimated number of annual transactions is determined by historical precedent, modified by projected levels of future activity.
- Billable Hour Service - Workflow invoices that require a processing type change.
- After determining the planned service levels by company, capital allocations to construction overhead are calculated using the ratio of annual budgeted spend by company for capital materials & supplies and contract services compared to non-capital spend.
- Residual O&M amounts are cleared monthly based on planned dollars for activities.

Check Print

Cost Center 125038

Major activities:

Check Print provides services necessary for the printing and distribution of Accounts Payable and Payroll, Refund and Claims checks in compliance with the CNP Check Disbursement Policy. These services will include the following activities:

- Print checks, insert into envelopes, and prepare for distribution.
- Assist in the investigation of fraudulent checks.
- Send stop pay instructions to bank upon client request.
- Provide copies of cashed checks upon client request.
- Monitor bank Positive Pay file, which is file sent to notify the bank of checks issued.
- Provide ongoing review/investigation of new security features for Company check stock.

Assignment method:

Costs are assigned based on total estimated volume of printed checks.

Basis of assignment:

The annual cost of service for Check Print is divided by total estimated volume of printed checks to determine the standard rate.

Actual costs are calculated monthly by multiplying the standard rate times the actual check volume.

Check courier costs will be incurred directly by the Business Unit.

Bank Reconciliation

Cost Center 125039

Major activities:

Provide timely reconciliation of General Fund and Controlled Disbursement bank accounts to the General Ledger. Perform all activities required to satisfy the unclaimed property laws of the various states as relates to accounts payable checks.

Assignment method:

Time spent for each Business Unit overseeing and completing each account reconciliation, including research and clearing activities, and escheat services.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to the Business Units in proportion to their annual planned billings.

Remittance Processing

Cost Center 125051

Major activities:

CNP Remittance Processing will provide the following services:

- Open, process, and create deposits for all payments received.
- Update, research and correct customer accounts as required, for all payments received via US Mail, Courier, ACH, Wire, EFT or any payments received with an electronic transmission from authorized third party vendors.
- Resolve discrepancies in customer accounts (payments), bank deposits, balance sheets and General Ledger entries created by Remittance.
- Reconcile Remittance BAI (Bank Administration Institute) files, bank deposits, and general ledger entries.

Assignment method:

Paper Processing is billed on a standard unit cost basis.

Remittance Processing Research and Resolution is billed hourly.

Direct Client Incurred: Third party charges for payment collections (CheckFree, BillMatrix, etc.) are charged directly to the Business Unit.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to the Business Units in proportion to their annual planned billings.

Financial Accounting Systems and Processes

Cost Center 125070

Major activities:

General activities and costs associated with the use of financial systems and processes identified with accounting services by Strategic Business Units.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit, such as labor costs associated with accounting research specific to the business unit.

All remaining cost are assigned based on operating expense (less fuel).

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs can be classified as accounting services with an emphasis on financial systems and processes on behalf of the business (internal organizations). Therefore, the fixed distribution should be correlated to the size, complexity and activity level of the business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are pass-through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business unit.

Strategic Planning

Cost Center 125090

Major activities:

General activities and costs to support strategic planning for corporate and business units such as salaries of strategic planning department employees, secretarial services, consulting costs, etc.
Assistance to business units in the development of strategies.
Economic and financial analysis of business unit and corporate strategies.
Development and analysis of five year strategic forecasts of business units.
Outside consulting costs related to the evaluation of strategic plans of business units and corporate.
Benchmarking.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Financial Services

Cost Center 125093

Major activities:

Financial Services general costs such as labor and supplies associated with management oversight of the execution of goals and initiatives for the transactional areas of finance, which include Electric Billing, Remittance Processing, Accounts Payable, Corporate Disbursements and the OnePay card program.

Assignment method:

Costs are assigned based on assets of the business units.

Basis of assignment:

Cost are allocated based on assets to the business units by the Financial Services functions.

Risk Control Manager

Cost Center 125095

Major activities:

- Safeguarding corporate assets
- Mitigating risks inherent in natural gas commodity transactions
- Analyzing, recording, verifying and reporting risks associated with natural gas commodity transactions.

Assignment method:

Hours worked directly on behalf of a Business Unit.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to the Business Units in proportion to their annual planned billings.

Financial Accounting & Reporting

Cost Center 125096

Major activities:

Financial Accounting and Reporting general costs such as labor, employee expense, and supplies associated with management oversight of the general, property, revenue and gas cost accounting functions and bank reconciliation function for CenterPoint Energy's regulated and corporate companies to ensure that financial data is in compliance with GAAP, FERC, Sarbanes-Oxley and regulatory requirements.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs can be classified as accounting services with an emphasis on financial compilation, financial statement and results analysis. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to the Business Units in proportion to their annual planned billings.

Chief Accounting Officer

Cost Center 125100

Major activities:

General activities and costs to support the office of the CAO such as salaries of the CAO and an executive assistant.
Oversees the accounting operations and financial planning & performance measurement of the company

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services can be classified as financial services with an emphasis on financial compilation, review, planning and management provided. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Financial Reporting / Corporate Accounting

Cost Center 125101

Major activities:

- Compilation of internal and external financial reports.
- Financial analysis of results of operations.
- SEC compliance reporting.
- Accounting support of financing activities.
- Perform due diligence reviews for acquisitions and provide accounting guidance for proposed transactions.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit, such as labor costs associated with accounting research specific to the business unit. All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs can be classified as accounting services with an emphasis on financial compilation, financial statement and results analysis. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Federal Tax

Cost Center 125102

Major activities:

- Compilation of federal tax returns.
- Preparation of estimates and payment of federal taxes.
- Calculation of federal current and deferred tax expense, current taxes payable and deferred tax liabilities.
- Federal tax planning.
- Coordination and response to internal revenue services inquiries and audits.
- Preparation and maintenance of international tax data for accrual and dividend planning purposes.
- Maintenance of tax systems.
- Perform due diligence reviews for proposed acquisitions.
- Monitor proposed tax legislation and prepare appropriate responses.
- Litigation support for federal tax issues.

Assignment method:

- Direct charges are tracked and charged directly to the applicable business unit.
- Assignable internal labor charges are billed directly to the applicable business unit.
- All remaining cost are assigned based on operating expense (less fuel).

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs can be classified as financial services with an emphasis on tax compilation, tax planning and audit inquiry costs provided/incurred on behalf of the business units (internal organizations). Therefore, the fixed distribution should be correlated to the size, complexity and activity level of the business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are pass-through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business unit.

Property Accounting

Cost Center 125104

Major activities:

Provides Property Accounting services in compliance with GAAP and FERC that include: Maintaining fixed asset records and associated accumulated depreciation, providing guidance in making capital and expense determinations, providing fixed asset accounting/reporting to support corporate, financial, operational and regulatory requirements, and managing internal controls related to fixed asset records and test controls in compliance with Sarbanes-Oxley.

Assignment method:

Direct capital activities and non-capital activities are billed to the business units through a billable hour rate. Capital activities are determined based upon the capital related transactions being performed. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are tracked between direct capital activities, such as asset unitization transactions and automated transaction corrections, and non-capital related activities, each of which are billed directly attributable to each business unit. Any over/under cost recovery each month is allocated to business units in proportion to their annual planned billings.

Gas Cost Accounting

Cost Center 125108

Major activities:

Prepares monthly cost of gas and over/under journal entries, attests to income statement and balance sheet representation for cost of gas, and performs inventory accounting functions for Gas & Electric Operations.

Assignment method:

Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

Transaction & Ad Valorem Tax

Cost Center 125109

Major activities:

- Compilation of sales and use tax returns (excluding Minnegasco support).
- Compilation of state income and franchise tax returns.
- Preparation of estimates and payment of state income taxes.
- Calculation of state current and deferred tax expense, current taxes payable and deferred tax liabilities.
- State tax planning.
- Coordination and response to state and local tax inquiries and audits.
- Prepare SFAS 109 accruals.
- Perform due diligence reviews for proposed acquisitions and provide state income tax estimates for proposed acquisitions.
- Monitor proposed tax legislation and prepare appropriate response.
- Litigation support for state and local tax issues.

Assignment method:

- Direct charges are tracked and charged directly to the applicable business unit.
- Assignable internal labor charges are billed directly to the applicable business unit.
- All remaining cost are assigned based on operating expense (less fuel).

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs can be classified as financial services with an emphasis on tax compilation and analysis and planning and audit inquiry costs provided/incurred on behalf of the business units (internal organizations). Therefore, the fixed distribution should be correlated to the size, complexity and activity level of the business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are pass-through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business unit.

Regulatory Reporting

Cost Center 125112

Major activities:

Rate case support, regulatory reporting, general accounting

Assignment method:

Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

Financial Accounting – Gas

Cost Center 125113

Major activities:

Responsible for preparing all revenue, volume and customer count related documents and reports primarily for Gas Operations. This primarily includes unbilled revenue, city franchise fees, state gross receipts and RRC fees, interest on customer deposits, transportation, billing determinants and billing determinant rate adjustment reporting.

Assignment method:

Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

Residential Electric Billing

Cost Center 125115

Major activities:

Transaction verification and processing for the electric revenue billing for residential, small commercial, and guard light premises. Internal control balancing between systems and other Sarbanes-Oxley key controls are completed.

Assignment method:

Billable hour rate used to bill exception time for direct work outside core activities, otherwise charged entirely to CenterPoint Energy Houston Electric.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

Financial Accounting

Cost Center 125119

Major activities:

Performing general accounting functions such as accruals, amortizations, reconciliations, and attesting to financial data in compliance with GAAP, FERC, Sarbanes-Oxley and regulatory requirements. Also includes a managerial accounting oversight function performed by the Cost Center Manager.

Assignment method:

Direct costs billed to the business units through a billable hour rate. Oversight activities billed as governance on a composite ratio. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to the Business Units in proportion to their annual planned billings.

Commercial Credit

Cost Center 125121

Major activities:

Provides professional services by assessing creditworthiness and the proper monitoring of credit limits and timeliness of collection of accounts receivable balances in order to minimize credit risk.

Assignment method:

Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

OnePay Compliance/Admin

Cost Center 125122

Major activities:

Salaries and associated expenses for overseeing and monitoring expense reimbursement activities within the OnePay System.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
OnePay Administration related costs are assigned based on the total estimated volume of expense reports.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs can be classified as accounting services with an emphasis on accounting practice compliance. The annual cost of service for OnePay Administration is divided by total estimated volume of expense reports to determine the standard rate. Actual costs are calculated monthly by multiplying the standard rate times the actual expense report volume. Costs related to compliance activities are assigned based on Composite Ratio Formula.

Payroll & Benefits Accounting

Cost Center 125125

Major activities:

Salaries and associated expenses for payroll accounting and benefits accounting

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All remaining cost are assigned based on number of employees.

Basis of assignment:

Based on a review of this cost center, the related costs incurred in leading these activities benefit all business units and are therefore allocated proportionately based on the number of employees in each business unit.

Large Commercial & Industrial Billings

Cost Center 125127

Major activities:

- Provides transaction processing for electric revenue billing for large commercial and industrial premises, as well as Street Light billing
- Provides validation, editing and estimating of electrical usage for large commercial and industrial premises
- Performs billing verifications and processes error exceptions
- Performs internal control balancing between systems as well as other Sarbanes-Oxley controls

Assignment method:

This cost center is direct billed to Business Units supported, in this case CenterPoint Energy Houston Electric.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

Payroll Administration & Compliance

Cost Center 125130

Major activities:

General activities and costs to support the Payroll group, such as salaries for department employees.
Process and issue direct deposits, printed checks, and off-cycle (special request) checks
Process and issue Travel Advances
Process Per Diems
Educational Assistance
Process Relocation Allowances
Process and issue bonus payments and salary changes
Administer voluntary deductions and wage garnishments
Comply with union agreements as they relate to payroll
Prepare and file payroll related tax returns
Issue employee W-2 forms and certain non-employee 1099s

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All remaining cost are assigned based on number of employees.

Basis of assignment:

Based on a review of this cost center, the related costs incurred in leading these activities benefit all business units and are therefore allocated proportionately based on the number of employees in each business unit.

Financial Accounting Gas & Monthly Close

Cost Center 125131

Major activities:

General activities and costs associated with the management and execution of the monthly financial close as well as management of the activities for the general accounting area for Arkla and Entex..

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit, such as labor costs associated with accounting activities specific to the business unit.

All remaining cost are assigned based on operating expense (less fuel).

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs can be classified as accounting services with an emphasis on monthly financial close on behalf of the business (internal organizations). Therefore, the fixed distribution should be correlated to the size, complexity and activity level of the business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are pass-through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business unit.

Regulatory Reporting - Gas

Cost Center 125132

Major activities:

Rate case support, regulatory reporting, general accounting for Gas Operations

Assignment method:

Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

VP Tax

Cost Center 125134

Major activities:

- Compilation of federal tax returns.
- Preparation of estimates and payment of federal taxes.
- Calculation of federal current and deferred tax expense, current taxes payable and deferred tax liabilities.
- Federal tax planning.
- Coordination and response to internal revenue services inquiries and audits.
- Preparation and maintenance of international tax data for accrual and dividend planning purposes.
- Maintenance of tax systems.
- Perform due diligence reviews for proposed acquisitions.
- Monitor proposed tax legislation and prepare appropriate responses.
- Litigation support for federal tax issues.

Assignment method:

All cost are assigned based on operating expense (less fuel).

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs can be classified as financial services with an emphasis on tax compilation, tax planning and audit inquiry costs provided/incurred on behalf of the business units (internal organizations). Therefore, the fixed distribution should be correlated to the size, complexity and activity level of the business units' operations. The fixed distribution percentage selected is based on the amount of operating expenses per business unit, less fuel costs. Fuel costs are excluded as for most entities these costs are pass-through items and recoveries are timely. This measure is a reasonable proxy for the relative transaction volumes and activity levels of each business unit.

Strategic/FP&A/Perf Mgmt VP

Cost Center 125135

Major activities:

General activities and costs to support strategic planning for corporate and business units such as salaries of strategic planning department employees, secretarial services, consulting costs, etc.
Assistance to business units in the development of strategies.
Economic and financial analysis of business unit and corporate strategies.
Development and analysis of five year strategic forecasts of business units.
Outside consulting costs related to the evaluation of strategic plans of business units and corporate.
Benchmarking.

Assignment method:

All costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic analysis of business unit and corporate strategies to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Financial Accounting – MES, CEIP & MNG

Cost Center 125136

Major activities:

Prepares monthly financial accounting activities related to the Minnesota regulated gas business, Minnesota non-regulated Home Service Plus sales and service business, Interstate Pipelines (non-regulated) and Mobile Energy Solutions (non-regulated).

Assignment method:

Direct costs billed to the business units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

Regulatory Reporting – Arkansas

Cost Center 125137

Major activities:

Rate case support, regulatory reporting, general accounting for projected schedules using plan data

Assignment method:

Direct charges are tracked and charged directly to the applicable Business Unit.

Basis of assignment:

Based on a review of the activities of this cost centers services relate to regulatory reporting needs of our Business Units.

Regulatory Reporting – Historical

Cost Center 125138

Major activities:

Rate case support, regulatory reporting, general accounting for historical schedules using actual data

Assignment method:

Direct charges are tracked and charged directly to the applicable Business Unit.

Basis of assignment:

Based on a review of the activities of this cost centers services relate to regulatory reporting needs of our Business Units.

Customer Transformation & Business Services

Cost Center 125139

Major activities:

Labor, employee related expenses and other costs associated with managing the Customer Transformation & Business Services planning and management reporting functions, including preparation of annual 5-year plans, reporting performance against plan on a monthly basis, and providing support for and assisting in regulatory filings.

Assignment method:

Direct Costs are tracked and billed to the Business Units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

IN/OH Electric & Gas Accounting

Cost Center 125154

Major activities:

Financial Accounting and Rate case support, regulatory reporting, general accounting for Indiana and Ohio Utilities

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit, such as labor costs associated with accounting activities specific to the business unit.

All remaining amounts are cleared monthly to Indiana and Ohio regulated companies based on the composite ratio.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on financial and economic regulatory reporting of Indiana and Ohio electric and gas utilities (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned to the Indiana and Ohio regulated businesses based on the Composite Ratio Formula.

Corporate Accounting Transactions (Overhead)

Cost Center 125198

Major activities:

General corporate capital expenditures that are capitalized and depreciated in future periods.

Assignment method:

Costs are considered corporate overhead costs and are assigned using the method described below.

Basis of assignment:

The activities primarily represent overhead costs for CNP corporate personnel such as depreciation costs. Therefore, the costs are assigned based on assets of the business units.

Cash Management

Cost Center 125202

Major activities:

General activities and costs to support the cash management department which includes department salaries, secretarial services, and supplies.

Bank Fees

Payment of financing obligations (including interest) and related fees.

Daily cash management.

Monitoring bank accounts.

Execution of wire transfers.

Forecasting cash needs.

Manage banking relations in order to resolve problems and to minimize transaction costs.

Manage Money Pool accounts

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit. (I.E., Bank fees)

Assignable internal labor charges are billed directly to the applicable business unit.

Basis of assignment:

Based on a review of the activities of this cost center, most services can be classified as financial services provided on behalf of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates.

Investor Services

Cost Center 125205

Major activities:

General activities and costs to support the investor services department such as salaries and supplies.
Payment of dividends to stockholders.
Coordination of dividend reinvestment plan.
Mailing of annual reports.
Shareholder recordkeeping.
Coordination of stockholder meetings.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit
Assignable internal labor charges are billed directly to the applicable business unit.
All remaining costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Activities of this cost center primarily relate to providing support to external entities such as the stockholders. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Long Term Financing

Cost Center 125210

Major activities:

General activities and costs to support the administration and oversight of financial services and cash management including the salaries of the assistant treasurer and an assistant.
Financial analysis of existing financing.
Evaluation of new financing vehicles and instruments.
Support investment activities.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of this cost center, most services/costs have an emphasis on financing options and investment analysis of business units to improve the profitability of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Investor Relations

Cost Center 125211

Major Activities:

General activities and costs to support the investor relations department including salaries of department employees, secretarial services, travel and meeting costs.
Plan and prepare analyst presentations.
Meetings with security analysts and rating agencies.
Financial analysis to support discussions with security analysts and rating agencies.
Publications/reports sent to third parties including investors, analysts and rating agencies.
Coordination of statistical summary book.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

The activities primarily relate to providing services to external parties such as security analysts and rating agencies. The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Business Services

Cost Center 125218

Major activities:

Labor, employee related expenses and other costs associated with managing the Business Services planning and management reporting functions, including preparation of annual 5-year plans, reporting performance against plan on a monthly basis, and providing support for and assisting in regulatory filings.

Assignment method:

Direct Costs are tracked and billed to the Business Units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

Audit Services, A-F and 125413

Cost Centers 125404-125409 and 125413

Major activities:

General activities and costs to support the internal audit department which includes internal auditors' salaries, travel and supplies.

Additional activities include:

- Internal process and financial reviews of business units and business units' functions.
- Internal process reviews of corporate functions.
- Assist in the external audit.
- Review of benefit payments, travel expenses, etc.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are assigned based on Composite Ratio Formula.

Basis of assignment:

Based on a review of the activities of these cost centers, services/costs can be provided/incurred on behalf of the business units (internal organizations). The costs incurred are by the Service Company on behalf of its affiliates. Therefore, the costs are assigned based on Composite Ratio Formula.

Notes:

Multiple Audit Services cost centers have been established to assist leadership with management of their team members. Audit Services' leadership utilizes all Audit Services team members to support the activities identified above. The costs in all Audit Services cost centers are assigned according to the Assignment Method and Basis of Assignment shown above.

Corporate Communications/Community Relations

Corporate Communications

Cost Center 125019

Major activities:

General activities and costs to support the administration and management of corporate communications travel and consulting cost, etc.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
General communication and costs are assigned based on asset values as described below.
Communication Governance associated costs are allocated on the composite ratio.
Employee communications are assigned based on number of employees.

Basis of assignment:

Based on a review of the activities of this cost center, services relate to media, financial audiences, employee communications and the community at large.

Community Relations

Cost Center 125056

Major activities:

General activities and cost incurred to support and retain community relations including salaries of department employees and costs associated with educational outreach, volunteer initiatives, philanthropy, and safety education.

Assignment method:

Direct Costs are tracked and billed directly to the Business Units through billable hour rate. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The costs represent support associated with community programs and activities which support all the business units. The costs incurred are by the Service Company on behalf of its affiliates. Direct program costs are billed through a billable hour rate, which is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

Corporate Communications

Cost Center 125083

Major activities:

General activities and costs to support the administration and management of corporate communications travel and consulting cost, etc.

Assignment method:

Corporate Communication associated costs are allocated on the composite ratio.

Basis of assignment:

Based on a review of the activities of this cost center, services relate to media, financial audiences, employee communications and the community at large. Therefore, the costs are allocated to the business units using the composite ratio.

Regulatory

Regulatory Policy

Cost Center 159022

Major activities:

- Develop and implement Regulatory strategy
- Develop and implement Legislative policy and strategy
- Coordinate dockets for regulatory policy rulemaking
- Coordinate rate proceedings and other technical filings

Assignment method:

- Direct charges are tracked and charged directly to the applicable business unit.
- Assignable internal labor charges are billed directly to the applicable business unit.

Basis of assignment:

Activities of this cost center primarily relate to regulatory activities and are billed to the applicable business unit. A monthly over/under cost recovery true-up is allocated to clients in proportion to annual planned billings.

Legal Regulatory

Cost Center 125420

Major activities:

The Legal Regulatory team is primarily responsible for, and incurs costs related to, (i) representing CenterPoint Energy's electric and gas utilities in proceedings before state and federal agencies and any related appeals in the courts; (ii) assisting management in the development and implementation of regulatory strategies, including regulatory compliance programs; and (iii) directly supporting the Company's state and federal legislative activities.

Assignment method:

Direct Costs are tracked and billed to the Business Units through a billable hour rate. All remaining amounts are cleared monthly based on planned activities.

Basis of assignment:

The hourly rate is calculated by dividing the annual budget by the number of hours available for billing. Hours are billed each month as directly attributable to each Business Unit. Any over/under cost recovery each month is allocated to Business Units in proportion to their annual planned billings.

Electric Relations and Policy

Cost Center 159027

Major activities:

Coordinate development and implementation of Regulatory strategy for Electric Operations – Texas
Assist with development of governmental policy and strategy for Electric Operations – Texas
Coordinate dockets for regulatory policy rulemaking for Electric Operations – Texas

Assignment method:

Direct charges are billed directly to Electric Operations - Texas

Basis of assignment:

Activities of this cost center solely relate to regulatory relationship activities for Houston Electric and are billed 100% to Electric Operations – Texas

IN/OH Rates/Regulatory

Cost Center 125085

Major activities:

Support activities and analysis in dockets for regulatory policy rulemaking
Coordinate rate proceedings and other technical filings

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.

Basis of assignment:

Activities relate to Rates/Regulatory which directly benefits all business units in IN/OH. Costs are assigned to business units based on customer count.

IN/OH Regulatory Relations & Policy

Cost Center 125086

Major activities:

Coordinate development and implementation of Regulatory strategy for IN/OH
Assist with development of governmental policy and strategy for IN/OH
Coordinate dockets for regulatory policy rulemaking for IN/OH

Assignment method:

Direct charges are billed directly to the applicable business units.
Assignable internal labor charges are assigned directly to the applicable business units.

Basis of assignment:

Activities relate to Regulatory Relations & Policy which directly benefits all business units in IN/OH. Costs are assigned to business units based on customer count.

Government Affairs

State Relations

Cost Center 125042

Major activities:

General activities and costs to primarily support the Texas state government relations department including salaries of department employees, administrative services, state legislative advocacy costs, legislative consulting and advisor costs and travel costs, etc.

Lobbying activities related to electric and natural gas industries' regulation, environmental issues, taxes, land use issues, tort reform, ethics, etc.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.

Assignable internal labor charges are billed directly to the applicable business unit.

All other costs are associated with legislative advocacy which is assigned as described below.

Basis of assignment:

Activities relate to primarily to Texas state legislative advocacy and are billed to the applicable business unit. Costs are assigned to business units operating in Texas based on assets.

Federal Relations

Cost Center 125044

Major activities:

General activities and costs to support Federal government relations activities including legislative advocacy costs, legislative consulting and advisor costs and travel costs, etc.
Lobbying activities related to industry regulation, environmental issues, taxes, pipeline safety, federal land issues, natural gas production, etc.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are associated with legislative advocacy which is assigned as described below.

Basis of assignment:

Activities relate to Federal legislative advocacy which directly benefits all business units. Costs are assigned to business units based on assets.

Local Relations

Cost Center 125050

Major activities:

General activities and administrative costs to support the area (local) government relations department including salaries of department employees, advocacy, and operations support activities costs.
Support activities related to electric and natural gas delivery industry, environmental issues, land use issues, taxes, franchise fees, operational ordinances, etc. with local regulations.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are associated with legislative advocacy which is assigned as described below.

Basis of assignment:

The activities of this cost center relate to operations support and advocacy with local governments and are billed to the applicable business unit. Costs are assigned to business units based on assets.

IN Local Relations

Cost Center 125087

Major activities:

General activities and administrative costs to support the Indiana (local) government relations department including salaries of department employees, advocacy, and legislative consulting costs.
Support activities related to electric and natural gas delivery industry, environmental issues, land use issues, taxes, franchise fees, operational ordinances, etc. with local regulations.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
Assignable internal labor charges are billed directly to the applicable business unit.
All other costs are associated with legislative advocacy which is assigned as described below.

Assignment method:

Activities relate to Local Relation which directly benefits all business units in Indiana. Costs are assigned to business units based on assets.

IN/OH VP Gov Affairs

Cost Center 125088

Major activities:

General activities and costs to primarily support the IN/OH state government relations department including salaries of department employees, administrative services, state legislative advocacy costs, legislative consulting and advisor costs and travel costs, etc.

General activities and administrative costs to support the OH local government relations department including salaries of department employees, advocacy, and legislative consulting costs

Lobbying activities related to electric and natural gas industries' regulation, environmental issues, taxes, land use issues, tort reform, ethics, etc.

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.

Assignable internal labor charges are billed directly to the applicable business unit.

All other costs are associated with legislative advocacy which is assigned as described below.

Basis of assignment:

Activities relate to Government Affairs which directly benefits all business units in IN/OH. Costs are assigned to business units based on assets.

Cedar Bayou Conference Center

Cost Center 125430

Major activities:

General activities and administrative costs to support the Cedar Bayou Conference Center and employees, including salaries of employees, and ongoing operations and maintenance of the property,
Lobbying activities for Texas State Relations, Local Relations, and Federal Relations related to electric and natural gas delivery.
CNP internal employee offsite meetings.

Assignment method:

Costs are associated with legislative advocacy which is assigned as described below.

Basis of assignment:

Activities relate to Texas state legislative advocacy which directly benefits the business units operating in Texas. Therefore, the costs are assigned to business units operating in Texas.

Human Resources

Human Resources – Recruitment Strategy

Cost Center 125171

Major activities:

General activities and costs to support the Recruiting, Hiring, & Deploying group, such as salaries for department employees.
Outside Service Fees and travel costs relating to recruiting.
Candidate Sourcing
Recruiting Strategy Development
Identifying and recruiting experienced hires (exempt & non-exempt)
Advertising
Posting positions internally and externally (ATS system, job boards, professional networks/organizations, social media, etc.)
Conducting interviews at company sites
Career Fairs (i.e. diversity groups, military events, Houston Chronicle, etc.)
Prepare offer in consultation with manager (compensation, relocation, sign-on bonus, other agreements)

Assignment method:

Direct charges such as backgrounds, drug screens and physicals are tracked and charged directly to the applicable business unit.
All remaining cost are allocated to business units proportionally based on number of employees.

Basis of assignment:

Based on a review of this cost center, the related costs incurred in leading these activities benefit all business units and are therefore allocated proportionately based on the number of employees in each business unit.

Human Resources – Talent Acquisition Services

Cost Center 125175

Major activities:

General activities and costs to support the Recruiting, Hiring, & Deploying group, such as salaries for department employees.
Outside Service Fees and travel costs relating to recruiting.
Candidate Sourcing
Recruiting Strategy Development
Identifying and recruiting experienced hires (exempt & non-exempt)
Advertising
Posting positions internally and externally (ATS system, job boards, professional networks/organizations, social media, etc.)
Conducting interviews at company sites
Career Fairs (i.e. diversity groups, military events, Houston Chronicle, etc.)
Prepare offer in consultation with manager (compensation, relocation, sign-on bonus, other agreements)

Assignment method:

Direct charges such as backgrounds, drug screens and physicals are tracked and charged directly to the applicable business unit.
All remaining cost are allocated to business units proportionally based on number of employees.

Basis of assignment:

Based on a review of this cost center, the related costs incurred in leading these activities benefit all business units and are therefore allocated proportionately based on the number of employees in each business unit.

Human Resources – Talent Acquisition Support

Cost Center 125176

Major activities:

General activities and costs to support the Recruiting group, such as salaries for department employees.
Skills Assessment testing (i.e. skill trades, technical)
Assessment Program Management
Records management, Employee Records & I-9/E-verify Management-ensure data is tracked and verified in the FileNet
Records management system.
New hire Onboarding
Technology Support & Data Management, Talent Management System, Reporting, Recruiting and Onboarding
Vendor Program Management & Administration; Relocation, Staff Augmentation, Outplacement

Assignment method:

Direct charges are tracked and charged directly to the applicable business unit.
All remaining cost are allocated to business units proportionally based on number of employees.

Basis of assignment:

Based on a review of this cost center, the related costs incurred in leading these activities benefit all business units and are therefore allocated proportionately based on the number of employees in each business unit.