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APPLICATION OF CENTERPOINT § PUBLIC UTILITY COMMISSION
ENERGY HOUSTON ELECTRIC, LLC §
FOR AUTHORITY TO CHANGE RATES § OF TEXAS

DIRECT TESTIMONY

OF

L. DARREN STOREY

ON BEHALF OF

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

MARCH 6, 2024

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Exhibit LDS-1	Diagram and Summary of Affiliate Services
Exhibit LDS-2	CenterPoint Energy, Inc. Affiliate and Division Relationships
Exhibit LDS-3a	2023 Service Company Cost Center Assignment Manual
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Exhibit LDS-3c	2023 VUH Cost Center Assignment Manual
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EXECUTIVE SUMMARY – AFFILIATE COSTS

(L. DARREN STOREY)

CenterPoint Energy, Inc. (“CNP”) centralizes integral corporate service business functions into a single entity, CenterPoint Energy Service Company, LLC (“Service Company”), which then provides the necessary support services to individual business units. The Service Company functions are comprised of two main groups: Corporate Services and Customer Transformation & Business Services. These two groups, together with additional operational support provided by CenterPoint Energy Resources Corp. and its subsidiaries (“CERC”) and Vectren Utility Holdings, LLC and its subsidiaries (“VUH”), provide vital services, benefits, and value to CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”) and other business units.

My testimony:

- describes the services provided by Service Company, VUH, and CERC to CenterPoint Houston;
- explains how Service Company, VUH, and CERC control costs through Service Level Agreements (“SLAs”) and the budget-setting process;
- describes the Service Company, VUH, and CERC methodology for assigning affiliate costs to CenterPoint Houston and why it is reasonable, objective and accurate;
- addresses the total test year operations and maintenance (“O&M”) billings from Service Company, VUH, and CERC to CenterPoint Houston in the amount of \$178.1 million;
- describes adjustments made to the Company’s requested affiliate expenses;
- demonstrates that the nature of the assigned costs and methodologies by which those costs are assigned from Service Company, VUH, and CERC have remained consistent since the Public Utility Commission of Texas

1 (“Commission”) approved them for CenterPoint Houston in Docket No.
2 49421;¹ and

3 • confirms that Service Company, VUH, and CERC affiliate costs are
4 reasonable and necessary, that CenterPoint Houston is not charged a higher
5 price than those charged to other affiliates or non-affiliates, that such costs
6 are billed at cost, and that those services are not duplicative of any services
7 provided by CenterPoint Houston.

8 My testimony and that of other supporting witnesses in this case demonstrates that the
9 affiliate costs for which CenterPoint Houston seeks recovery meet the Commission’s
10 affiliate cost recovery standard and should be recovered in full through rates.

¹ *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, Docket No. 49421, Order (Mar. 9, 2020).

DIRECT TESTIMONY OF L. DARREN STOREY

I. INTRODUCTION

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

A. My name is L. Darren Storey. I am the Manager of Process and Data Governance for Service Company, which is an indirect, wholly owned subsidiary of CNP. My business address is 1111 Louisiana Street, Houston, Texas 77002.

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

A. I am testifying on behalf of CenterPoint Houston.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I graduated from Louisiana State University in Shreveport with a Bachelor of Science degree in Accounting. Before working at CNP, I was Sr. Auditor in the public accounting firm Smith, Pugh, Rabinowitz, CPA's, LLC, located in Shreveport, Louisiana. I began my career at CNP and its predecessor companies in 1999. During my career, I have worked in the following departments: Gas and Revenue Accounting, Regulatory Reporting, Corporate Business Services, and Process & Data Governance. I began my current role as Manager of Process and Data Governance in 2021.

Q. WHAT ARE YOUR RESPONSIBILITIES WITH REGARD TO CENTERPOINT HOUSTON?

A. I am responsible for ensuring that costs incurred by Service Company are properly billed to each of the CNP business units, including CenterPoint Houston. I am also

1 responsible for providing Service Company information to the Regulatory
2 Reporting Department to support regulatory filing requirements.

3 **Q. HAVE YOU PREVIOUSLY SPONSORED TESTIMONY BEFORE THE**
4 **COMMISSION OR OTHER REGULATORY AUTHORITIES?**

5 A. Yes. I provided testimony before the Arkansas Public Service Commission in
6 Docket No. 17-010-FR and Texas Railroad Commission in GUD No. 10567.

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

9 A. My testimony describes the structure of CNP, Service Company, CenterPoint
10 Houston, VUH, and CERC. In my testimony, I describe the SLAs between Service
11 Company and its affiliates. My testimony also discusses the annual budgeting
12 process and other controls in place that help Service Company, VUH, and CERC
13 ensure that costs are reasonable and necessary, controlled, and billed properly. I
14 discuss the affiliate billings included in the cost of service for CenterPoint Houston.
15 This includes a discussion of Service Company and its billing methodologies as
16 well as a discussion of how other affiliate costs are charged to CenterPoint Houston.
17 I demonstrate compliance with the regulatory standards used by the Commission to
18 determine the reasonableness and necessity of expenses associated with affiliate
19 transactions and their inclusion in rates.

20 **Q. HOW DOES YOUR TESTIMONY RELATE TO THE TESTIMONY OF**
21 **OTHER COMPANY WITNESSES IN THIS CASE?**

22 A. My testimony provides an overview of the affiliate support services provided to
23 CenterPoint Houston by Service Company, VUH, and CERC and demonstrates that

1 prices charged to CenterPoint Houston for those services are not higher than the
2 prices charged by Service Company, VUH, and CERC for the same class of items
3 to the Company's other affiliates or divisions. Company witness Kristie L. Colvin
4 sponsors the schedules prepared in accordance with the Transmission &
5 Distribution ("TDU") Investor-Owned Utilities Rate Filing Package for
6 Cost-of-Service Determination ("RFP"), including the underlying calculations for
7 CenterPoint Houston's total cost of service filing. Included in the RFP are billings
8 from Service Company and certain CNP affiliates. My testimony demonstrates that
9 affiliate expenses and the cost assignments comply with statutory and regulatory
10 requirements. In addition to my testimony, the following Company witnesses
11 demonstrate how each class of affiliate support services provided by Service
12 Company, VUH, and CERC are reasonable and necessary: Ms. Colvin, Jacqueline
13 M. Richert, M. Shane Kimzey, Stephanie Bundage Juvane, Jennifer K. Story,
14 Steven Greenley, Ronald W. Bahr, Shonda Royston-Johnson, Bertha R. Villatoro,
15 Brad Tutunjian, Carla A. Kneipp, and John Sousa.

16 **Q. WHICH SCHEDULES IN THE RFP DO YOU SPONSOR OR**
17 **CO-SPONSOR?**

18 A. I sponsor or co-sponsor schedules V-K-1 through V-K-14.

19 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONJUNCTION WITH**
20 **YOUR DIRECT TESTIMONY?**

21 A. Yes, I have prepared or supervised the preparation of the exhibits listed in the table
22 of contents.

1 **Q. WHEN WAS THE COMPANY’S LAST BASE RATE PROCEEDING?**

2 A. The Company filed its last base rate proceeding, Docket No. 49421, in 2019 with a
3 test year ending December 31, 2018. The Commission issued its final order on
4 March 9, 2020.

5 **Q. WHAT IS THE HISTORICAL TEST YEAR BEING USED IN THIS RATE**
6 **FILING?**

7 A. The amounts reflected in the RFP in this rate proceeding are derived from the
8 Company’s books and records for the 12-month period ending December 31, 2023,
9 (“Test Year”).

10 **II. AFFILIATE TRANSACTIONS**

11 **Q. PLEASE DESCRIBE THE STATUTORY STANDARD GOVERNING THE**
12 **RECOVERY OF AFFILIATE EXPENSES.**

13 A. Public Utility Regulatory Act (“PURA”) § 36.058 requires that, to be included in
14 rates, affiliate expenses related to electric utility service must meet the following
15 criteria: (1) affiliate expenses are reasonable and necessary; and (2) the price
16 charged to the electric utility is no higher than the prices charged by the supplying
17 affiliate for the same item or class of items to its other affiliates or divisions, or a
18 non-affiliated person.

19 **Q. ARE AFFILIATE COSTS INCLUDED IN CENTERPOINT HOUSTON’S**
20 **TEST YEAR O&M EXPENSE?**

21 A. Yes. During the Test Year, services were provided to CenterPoint Houston by
22 Service Company, VUH, and CERC. Services provided by Service Company
23 include Corporate Services and Customer Transformation & Business Services.
24 Exhibit LDS-1 shows a diagram and summary of Service Company support

services. VUH provided operational support in the form of damage prevention & meter reading management, work order management and GIS administration. CERC provided operational support in the form of periodic IDR meter reading, GIS and CAD services, fleet services, broadband services, Damage Prevention Compliance reporting, and line locating.

Q. HAS THE COMMISSION PREVIOUSLY REVIEWED CENTERPOINT HOUSTON'S RELIANCE ON SERVICE COMPANY AND CERC FOR CORPORATE AND OPERATIONAL SUPPORT SERVICES?

A. Yes. In the Company's last rate case, Docket No. 49421, the Commission reviewed the reasonableness of the corporate and operational support services provided by Service Company and CERC to CenterPoint Houston. Also, since Docket No. 49421, the Company filed annual affiliate reports pursuant to 16 Texas Administrative Code ("TAC") § 25.84, to notify the Commission of ongoing affiliate expense levels and updates to any SLAs, and has supported Service Company costs in its Energy Efficiency Cost Recovery Factor proceedings.

Q. IS IT NECESSARY FOR SERVICE COMPANY, VUH, AND CERC TO BILL CORPORATE SUPPORT COSTS TO CNP AFFILIATES?

A. Yes. In order to reflect the true costs of an affiliate's operations - including the costs of services performed on their behalf by Service Company, VUH, and CERC - Service Company, VUH, and CERC bill actual costs incurred to support CNP affiliates. Knowing the full cost of service is important in managing and understanding the true cost-effectiveness of CNP's business units, providing for

1 better cost control and, in the case of a rate-regulated business, enabling recovery
2 of all reasonable costs incurred in support of that business.

3 **III. SERVICE COMPANY**

4 **Q. HOW IS CNP ORGANIZED?**

5 A. Exhibit LDS-2 presents an organizational chart showing the CNP business unit
6 structure. CNP's corporate structure utilizes a centralized business model,
7 including a full complement of functions necessary to support individual business
8 units, executive management, and the Board of Directors. CenterPoint Houston,
9 VUH, and the Gas Operations regions within CERC are the actual operating
10 business units within CNP, while the Service Company provides a number of
11 services to the various business units.

12 **Q. PLEASE DESCRIBE THE SERVICE COMPANY.**

13 A. As shown in Exhibit LDS-2, Service Company is a subsidiary of CNP. Service
14 Company personnel perform corporate oversight, managerial functions, and
15 specialized (i.e., legal, benefits) support activities for CNP and its business units.
16 Service Company maintains its corporate general ledger in SAP, the
17 enterprise-wide accounting system used throughout CNP. Costs incurred by
18 Service Company are initially recorded on Service Company's books and are then
19 directly assigned or allocated, as appropriate, to the business units. These activities
20 are the same as those necessary for the overall management and administration of
21 any large publicly-traded enterprise. The Service Company's functional areas are
22 organized into two main service groups: Corporate Services and Customer
23 Transformation & Business Service. An organizational chart of the two main
24 Service Company service groups is shown below in Figure 1.

Service Company maintains a cost center assignment manual for each of these service areas. This Service Company Cost Center Assignment Manual is attached as Exhibit LDS-3a and discussed in more detail later in my testimony.

Figure 1. Service Company

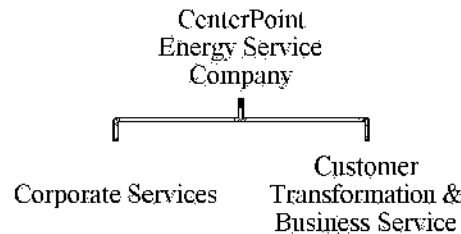


Figure 1 - Service Company

Q. WHAT BENEFITS ARE PROVIDED THROUGH A CENTRALIZED CORPORATE SUPPORT SERVICES STRUCTURE?

A. A centralized corporate support services structure allows CNP to leverage resources across multiple business units, thereby giving the business units access to specialized skills and resources in an efficient and cost-effective manner. For example, accounting for employee benefits requires skilled and experienced individuals who must be able to analyze accounting standards related to employee benefits, understand the components of the benefit programs, and have the ability to discuss the benefit programs with actuaries. Similarly, lawyers in the legal department with particular areas of expertise (e.g., employee benefits, litigation, and contracts) must be able to advise their clients in the various business units on matters related to those specific areas. Having a centralized function eliminates the need for each of the business units to have that expertise separately, thus eliminating the need for duplication.

Q. WITH RESPECT TO INDIVIDUAL CLASSES OF AFFILIATE SUPPORT SERVICES PROVIDED BY CORPORATE SERVICES AND CUSTOMER TRANSFORMATION & BUSINESS SERVICE, VUH, AND CERC, WHICH COMPANY WITNESS SUPPORTS THE REASONABLENESS AND NECESSITY OF EACH CLASS OF SERVICE?

A. The reasonableness and necessity of each class of affiliate service is supported by witness as follows:

Figure 2. Service Company, VUH, and CERC Billings, Unadjusted

Witness ⁽¹⁾	Class	Affiliate	Unadjusted Test Year Amount (000's)
Kristic L. Colvin	Chief Financial Officer, Accounting, and FP&A	Service Company	\$ 17,562
	Executive Management	Service Company	2,251
Jennifer K. Story	Tax	Service Company	5,787
Jacqueline M. Richert	Treasury and Investor Relations	Service Company	2,773
M. Shane Kimzey	Legal	Service Company	24,557
Brad Tutunjian	Regulatory	Service Company	7,377
	Government Affairs	Service Company	908
Stephanic Bundage Juvane	Audit Services	Service Company	1,387
Bertha R. Villatoro	Human Resources	Service Company	24,662
John Sousa	Corporate Communications & Community Relations	Service Company	3,107
	Utility Marketing	Service Company	2,301
	Corporate Security	Service Company	1,673
Steven Greenley	Continuous Improvement	Service Company	1,474
	Safety & Training	Service Company	1,348
	Facilities Management	Service Company	2,910
Carla A. Kneipp	Supply Chain	Service Company	3,909
Ronald W. Bahr	Information Technology	Service Company	50,048
Shonda Royston-Johnson	Customer Operations	Service Company	12,074
L. Darren Storey	Operations Support	CERC	168
	Line Locating	CERC	11,537
	Operations Support	VUH	298
	Total		\$ 178,111

Figure 2 - Service Company, VUH, and CERC Billings, Unadjusted

⁽¹⁾Witnesses may have both direct and allocated expenses.

1 **Q. WHAT SERVICES DOES THE CORPORATE SERVICES AREA**
2 **PROVIDE TO CENTERPOINT HOUSTON?**

3 A. Corporate Services, which accounts for the bulk of affiliate services provided to
4 CenterPoint Houston, includes the following departments: (1) Finance &
5 Accounting; (2) Legal; (3) Human Resources; (4) Government Affairs &
6 Regulatory; (5) Executive Management; (6) Facilities Management; (7) Supply
7 Chain; (8) Continuous Improvement; (9) Corporate Communications/Community
8 Relations & Corporate Security; and (10) Safety & Training. These departments
9 are described in greater detail in the individual testimonies of the witnesses noted
10 above, however, generally speaking:

- 11 • The **Finance & Accounting** organization provides important governance
12 and other services such as accounting (e.g., accounts payable, remittance
13 processing), financial and strategic planning, financial systems and
14 processes, investor relations, risk management, tax, and treasury.
- 15 • The **Legal** department provides legal services and oversight to CNP and its
16 subsidiaries in connection with litigation and claims; contracts and
17 transactions; financing; corporate governance, including corporate
18 secretary functions; and Securities and Exchange Commission (“SEC”)
19 reporting and compliance. Services are provided by the attorneys and other
20 employees of the Legal department and by outside counsel retained and
21 supervised by the staff of the Legal department.
- 22 • **Human Resources** services include compensation management and
23 planning; benefit management and planning; leadership development;
24 employee and organizational development; labor and employee relations;
25 recruiting and placement; disability management and employee services;
26 corporate travel, and Human Resources policy compliance and
27 management.
- 28 • **Government Affairs** interacts with the various regulatory commissions and
29 other state and local government agencies on behalf of CNP and its
30 affiliates. **Regulatory** provides support for regulatory strategy, regulatory
31 rulemaking policy dockets, rate proceedings and other technical or
32 compliance filings.

- 1 • **Executive Management** provides executive oversight of the Company and
2 includes the office of the Chief Executive Officer (“CEO”), Chief Operating
3 Officer (“COO”), and certain non-allocated costs.
- 4 • **Facilities Management** provides services required to operate and maintain
5 the physical buildings and structures that comprise employee workplaces.
- 6 • **Supply Chain** provides purchasing and logistics services and fleet
7 management. Purchasing and Logistics provides purchasing, material
8 logistics, and investment recovery services as well as management
9 oversight to support business unit specific purchasing and logistics
10 operations.
- 11 • **Continuous Improvement** provides guidance and expertise in a consistent
12 methodology, called Lean, that every business unit and department can
13 utilize. Continuous Improvement partners with business units to identify
14 areas of difficulty by focusing on the process to improve operational
15 efficiencies.
- 16 • **Corporate Communications** provides media relations support and internal
17 communications to employees including video production, town hall
18 meetings, CNP’s intranet, corporate emails and other communications, such
19 as digital signs in certain Company facilities. **Community Relations** has
20 primary responsibility for developing, implementing and overseeing
21 community, consumer support, and education relations programs
22 throughout the service territories of CNP’s various affiliates. **Corporate**
23 **Security** provides services required for the physical security of the
24 buildings and structures that comprise employee workplaces.
- 25 • **Safety & Training** provides oversight and administrative support for safety
26 and training services.

27 The Corporate Services cost center assignment manual maintained by Service
28 Company is attached as Exhibit LDS-3a.

29 **Q. WHAT SERVICES DOES THE CUSTOMER TRANSFORMATION &**
30 **BUSINESS SERVICES AREA PROVIDE TO CENTERPOINT HOUSTON?**

31 A. Customer Transformation and Business Services includes the following
32 departments: (1) Customer Operations; (2) Utility Marketing; and (3) Information
33 Technology (“IT”). Generally speaking:

- 1 • **Customer Operations** oversees call center operations, credit & collections,
2 customer billing and performance management. Oversight includes
3 identifying, creating, and maintaining common processes and strategic
4 direction of the customer service operations and provides call center and
5 credit services for CenterPoint Houston and CNP gas distribution
6 operations, including the Company. Please see Exhibit LDS-3a for the
7 Customer Operations cost assignment manual maintained by the Service
8 Company.
- 9 • **Utility Marketing** identifies, creates, and maintains common marketing
10 and sales processes within the regulated affiliates. Please see Exhibit
11 LDS-3a for the Customer Operations cost assignment manual maintained
12 by the Service Company.
- 13 • **IT** provides the following services for each CNP affiliate: (1) desktop data
14 device services; (2) enterprise infrastructure; (3) data management; (4)
15 enterprise applications development and support; (5) applications
16 development and support; (6) telephone service; (7) telecommunications
17 move/add/change; and (8) data and cyber security management. Similar to
18 Corporate Services, IT also uses SLAs to govern transactions with affiliates
19 and various billing determinants depending on the type of service provided.
20 For instance, desktop data device services are billed based on the number
21 of login IDs. Please see Exhibit LDS-3a for the IT cost assignment manual
22 maintained by the Service Company.

23 **Q. DOES SERVICE COMPANY HAVE ANY WRITTEN PROCEDURES**
24 **THAT GOVERN THE MANNER IN WHICH IT CONDUCTS BUSINESS?**

25 **A.** Yes. Service Company has a Procedures Manual, which is attached as
26 Exhibit LDS-4. The Procedures Manual: (1) requires that SLAs be used to define
27 and govern transactions between Service Company and affiliates; (2) provides
28 accounting procedures to be used by Service Company; (3) directs how and when
29 to establish new cost objects to track costs; (4) details cost object monitoring and
30 control; (5) sets forth allocation factors, including updates and revisions;
31 (6) requires time reporting; (7) establishes billing and review; (8) provides direction
32 on dispute resolution; (9) discusses internal audit control; (10) details budgeting

1 and the interaction between Service Company and affiliates; and (11) requires the
2 evaluation of costs for competitiveness.

3 **Q. ARE THERE ANY OTHER SUPPORT SERVICES REFLECTED IN THE**
4 **RATE FILING PACKAGE?**

5 A. Yes. Costs for facilities rent and maintenance for the two buildings, CenterPoint
6 Energy Tower and Energy Control & Data Center, have been included in the rate
7 filing package. The lease cost for both facilities are discussed in detail in Mr.
8 Greenley's direct testimony.

9 **Q. DO ANY OF THE ORGANIZATIONS WITHIN CENTERPOINT**
10 **HOUSTON PERFORM THE SAME SERVICES PROVIDED BY SERVICE**
11 **COMPANY?**

12 A. No. There is no overlap in the services or charges provided by Service Company
13 and those provided by the other business units, including CenterPoint Houston.

14 **Q. WHAT ARE SERVICE COMPANY CROSS CHARGES?**

15 A. As described in Exhibit LDS-3a, cross charge activity occurs when one Service
16 Company function ("provider") provides a service to another Service Company
17 function ("receiver"). When this activity occurs, the provider function directly
18 assigns or allocates all incurred labor, time, and expenses to the receiver function.
19 An example of a Service Company cross charge is IT charging Finance for desktop
20 support for the computers, printers, and technology equipment owned and held by
21 the Finance organization.

IV. CENTERPOINT ENERGY RESOURCES CORP.

Q. HOW IS CERC RELATED TO CENTERPOINT HOUSTON?

A. CERC is a wholly owned subsidiary of CNP. CNP's natural gas distribution business falls within CERC and engages in natural gas sales to, and transportation for, approximately 4 million residential, commercial, and industrial customers in the states of Indiana, Louisiana, Minnesota, Mississippi, Ohio, and Texas.

Q. DOES CERC PROVIDE ANY SERVICES TO CENTERPOINT HOUSTON DURING THE TEST YEAR?

A. Yes, during the Test Year, CenterPoint Houston received operational support services from CERC. The use of CERC's operational support for specialized services allowed CenterPoint Houston to leverage CERC expertise to expedite and complete certain projects.

Q. WHAT SERVICES DID CERC PROVIDE TO CENTERPOINT HOUSTON DURING THE TEST YEAR?

A. Services from CERC to CenterPoint Houston include line locating, fleet services, meter reading, broadband, and mapping services. A description of each service is provided below:

- Line Locating – CERC personnel perform any necessary line locating services for CenterPoint Houston. When CERC is asked to locate and/or mark an electric line on behalf of CenterPoint Houston, CERC will bill the cost of that line locate to CenterPoint Houston, including labor.
- Fleet Services – CERC's Fleet Services department is responsible for the management of all vehicles and motorized equipment in the Houston Electric and Houston Metro Gas and Gas outlying areas. When CenterPoint Houston uses gas pumps at CERC pump stations, CERC directly bills the fuel usage to CenterPoint Houston.

- 1 • Meter Reading – CNP’s Automated Meter Reading system uses radio
2 transmitting devices, attached to meters of existing CNP customers,
3 enabling remote reading of the meter. At times, an employee from the
4 AMS/ERT department is assigned to help CenterPoint Houston with meter
5 reading tickets. The CERC employee’s time is billed to CenterPoint
6 Houston.

- 7 • Gas Operations Technology Services (“GOTS”) Broadband Services –
8 GOTS maintains broadband services for CenterPoint Houston. Mobile
9 broadband scanners allow technicians to use computers, scanners, and
10 copiers at a job site for information to flow to back to the Company’s office
11 faster and more efficiently with some work orders completed directly at the
12 job site. Occasionally, CenterPoint Houston uses these broadband services
13 to help expedite orders. The cost of these services is directly assigned
14 and/or allocated back to CenterPoint Houston.

- 15 • Research and Damage Prevention Compliance – This department
16 coordinates compliance reporting with the Railroad Commission of Texas
17 regarding line locates. The department receives requests for reporting from
18 CenterPoint Houston from time to time. The Compliance department bills
19 CenterPoint Houston based on the number of line locate tickets researched
20 for CenterPoint Houston.

- 21 • Texas Gas Engineering GIS and CAD – Facility maps are created by CERC
22 that display gas and electric facilities. When the CenterPoint Houston
23 business unit uses this service, the costs are directly assigned back to
24 CenterPoint Houston by the amount of time/labor it takes to complete map
25 request.

26 **Q. HOW MUCH DID CERC CHARGE CENTERPOINT HOUSTON IN THE**
27 **TEST YEAR?**

28 A. After adjustments, the total O&M expense for services provided to CenterPoint
29 Houston by CERC was \$11.7 million.

30 **Q. ARE THE SERVICES PROVIDED BY CERC NECESSARY?**

31 A. Yes. Using the well-established services provided by another business unit within
32 CNP allows CenterPoint Houston to be efficient and cost effective. For example,
33 the CERC Line Locating department handles line locating tickets for both CERC
34 and CenterPoint Houston. During the Test Year, over 917 thousand gas and electric

1 line locating tickets were received, of which approximately 44% of the tickets were
2 for CenterPoint Houston. All time and labor working on the electric line locating
3 tickets are directly assigned to CenterPoint Houston. Another example of this
4 efficiency is the use of CERC fueling stations by CenterPoint Houston. Rather than
5 driving out of the way to find a fueling station, a CenterPoint Houston vehicle can
6 be fueled at a CERC facility allowing the employee to quickly complete the project
7 without losing time driving to another fueling station. Similar to the line locating
8 activities, all fuel used by a CenterPoint Houston vehicle will be directly charged
9 to CenterPoint Houston. These services are reasonable and necessary to the
10 Company's daily operations and allow CenterPoint Houston to add efficiencies and
11 increase productivity by sharing services with other CNP business units. For
12 additional allocation information, please see the CERC Cost Center Assignment
13 Manual provided as Exhibit LDS-3b.

14 **Q. WHAT BENEFITS ARE PROVIDED THROUGH CENTERPOINT**
15 **HOUSTON'S USE OF CERC SERVICES?**

16 A. Similar to the Company's use of Service Company, the ability to utilize CERC
17 assets and employees to perform necessary operational services gives CenterPoint
18 Houston access to specialized skills and resources in an efficient and cost-effective
19 manner. CenterPoint Houston benefits from the services provided by CERC. This
20 internal process of sharing resources between the two business units avoids
21 incurring the additional cost of hiring additional headcount or a third party to
22 perform these services.

1 **Q. DO ANY OF THE ORGANIZATIONS WITHIN CENTERPOINT**
2 **HOUSTON PERFORM THE SAME SERVICES PROVIDED BY CERC?**

3 A. No. There is no overlap in the services or charges provided by CERC and those
4 provided by CenterPoint Houston.

5 **V. VECTREN UTILITY HOLDINGS, LLC**

6 **Q. HOW IS VUH RELATED TO CENTERPOINT HOUSTON?**

7 A. VUH is a wholly owned subsidiary of CNP. VUH provides certain operational
8 support activities to the electric footprint, including CenterPoint Houston.

9 **Q. DID VUH SUPPLY ANY SERVICES TO CENTERPOINT HOUSTON**
10 **DURING THE TEST YEAR?**

11 A. Yes. During the Test Year, services from VUH were provided for operational
12 support activities including damage prevention & meter reading management, work
13 order management, and GIS administration.

14 **Q. ARE THE SERVICES PROVIDED BY VUH NECESSARY?**

15 A. Yes. VUH employees are providing the services in support of operating activities
16 to CenterPoint Houston. For allocation information, please see the VUH Cost
17 Center Assignment Manual provided as Exhibit LDS-3c

18 **Q. HOW MUCH DID VUH CHARGE CENTERPOINT HOUSTON IN THE**
19 **TEST YEAR?**

20 A. After adjustments, the total O&M expense for services provided to CenterPoint
21 Houston by VUH was \$0.3 million.

VI. CENTERPOINT HOUSTON TO OTHER AFFILIATES

Q. DOES CENTERPOINT HOUSTON PROVIDE AFFILIATE SERVICES TO ANY OF ITS AFFILIATED COMPANIES?

A. Yes, CenterPoint Houston provides affiliate services such as (1) Land & Field Services, (2) GIS Data Management and Administration, and (3) Fleet, Shop Services and Radio Communications. When these services are provided, CenterPoint Houston employees directly bill their time (employee's fully loaded labor rate plus related overhead) and related expenses to a work order assigned to the CNP affiliate requesting the service. Please refer to Exhibit LDS-3d for a copy of CenterPoint Houston's Cost Center Assignment Manual for a more detailed description of the services provided by the Company.

Q. WAS CENTERPOINT HOUSTON REIMBURSED FOR SERVICES PROVIDED TO OTHER AFFILIATED COMPANY'S DURING THE TEST YEAR?

A. Yes. The chart below shows the amounts that each affiliate reimbursed CenterPoint Houston for the services they received during the Test Year:

1 **Figure 3. Other Affiliate Billings, as Adjusted**

Affiliate Company	Adjusted Test Year Amount (000's)
CenterPoint Energy Service Company, LLC	\$ 1,095
CERC Divisions & Subsidiaries	
CNP Minnesota Gas	2,331
CenterPoint Energy Entex	14,620
CenterPoint Energy Intrastate Pipelines, LLC	1
Indiana Gas Company, Inc.	1,031
Vectren Energy Delivery of Ohio, Inc.	684
VUH & Subsidiaries	
VUH, Inc.	1,239
Southern IN Gas and Electric Company	2,354
Other	135
Total	\$23,490

2 *Figure 3 - Other Affiliate Billings, as Adjusted*

3 **Q. HOW HAS CENTERPOINT HOUSTON REFLECTED**
 4 **REIMBURSEMENT FOR SERVICES PROVIDED TO OTHER**
 5 **AFFILIATES IN ITS FILING?**

6 A. Costs that CenterPoint Houston reimburses to other affiliates are credited against
 7 the Company's total rate request and are reflected in Schedule V-K-8.

8 **VII. SERVICE LEVEL AGREEMENTS, BUDGETING**
 9 **AND OTHER COST CONTROLS**

10 **Q. WHAT IS A SERVICE LEVEL AGREEMENT?**

11 A. A SLA is an agreement between Service Company and a CNP affiliate or between
 12 two CNP affiliates that documents the services to be provided to the recipient and/or
 13 the billing rates for services that are assigned based on a billing rate and the
 14 allocation factors used to assign costs that are allocated. The terms of the SLA
 15 clarify and require that services be provided on a "fair, nondiscriminatory basis."

1 The SLA requires, among other things, that (1) the price charged for each service
2 will be the same as that charged to every other CNP business unit for like services
3 for a given period; (2) amounts charged for items not allowed for recovery in
4 regulated rates must be separately identified and billed separately so that the
5 amounts can be reported as required; (3) amounts charged must be reasonable and
6 necessary in order to provide that service; and (4) any allocation should reasonably
7 approximate the actual costs incurred in providing that service.

8 **Q. HOW DOES SERVICE COMPANY DETERMINE APPROPRIATE**
9 **SERVICE LEVELS AND OBTAIN AGREEMENT FOR SERVICES**
10 **PROVIDED?**

11 A. Service Company uses the SLA to document services and, where appropriate,
12 service levels to be provided to individual clients. As part of the SLA development
13 process, on an annual basis, representatives of Service Company and each affiliate
14 meet and discuss the levels of services required, the costs of the services provided
15 and any business changes from the prior year. Once an agreement is reached, the
16 discussions are documented, incorporated into the SLA and the SLA is forwarded
17 to the recipient for signature. Service Company will keep the signed original and
18 forward a signed copy to the client.

19 **Q. HOW DO THE SLAs FUNCTION?**

20 A. The Service Company SLAs ensure that the price charged for each service will be
21 the same as that charged to every other CNP business unit for like services for a
22 given period, that amounts charged for items not allowed for recovery in regulated
23 rates must be separately identified and billed separately so that the amounts can be

1 reported as required, that amounts charged must be reasonable and necessary in
2 order to provide that service and that any allocation should reasonably approximate
3 the actual costs incurred in providing that service.

4 **Q. WHEN WERE SLAs FIRST USED?**

5 A. Service Company has been using SLAs since the formation of Service Company in
6 2004.

7 **Q. ARE SLAs MADE AVAILABLE TO THE COMMISSION?**

8 A. Yes. SLAs are made available to the Commission in accordance with 16 TAC §
9 25.84 “Annual Reporting of Affiliate Transactions for Electric Utilities,” which
10 requires a prior calendar year annual report of affiliate activities. Service Company
11 functions are required, by CNP policy, to comply with the SLAs executed with
12 CenterPoint Houston and other business units. A copy of the 2023 SLA between
13 Service Company and CenterPoint Houston is attached as Exhibit LDS-5.

14 **Q. ARE ANY SERVICES OCCASIONALLY PROVIDED BY SERVICE**
15 **COMPANY THAT ARE NOT COVERED BY THE SLA PROCESS?**

16 A. Yes. In addition to services provided to business units such as CenterPoint
17 Houston, the various Service Company functions provide services to other
18 functions within the Service Company known as an intra-company service.
19 Although intra-company services are not covered by the SLA process, the service
20 is still provided in a manner consistent with the SLAs. For example, IT could be
21 asked to create a report query for Finance. This IT service, provided within the
22 Service Company, might not be covered by an SLA but is billed at the same rate as
23 IT services provided to business units under the SLAs. Service Company and other

1 affiliates will also occasionally initiate services to a new affiliate before a formal
2 SLA is documented and in place. In both instances, Service Company directly
3 assigns costs for the new service to the appropriate affiliate and includes any
4 changes in service as part of the next annual SLA process. Similar to charges to
5 business units, these intra-company services are priced no higher than Service
6 Company charges other affiliates for the same service.

7 **Q. WHICH BUSINESS UNITS RECEIVE SERVICES FROM SERVICE**
8 **COMPANY THROUGH SLAs?**

9 A. The following business units receive services from Service Company through
10 SLAs: (1) CenterPoint Houston; (2) CenterPoint Energy Gas Operations;
11 (3) CenterPoint Energy Properties, Inc.; (4) Southern Indiana Gas & Electric
12 Company ("SIGECO"); (5) Energy Services Group ("ESG"); and (6) Home Service
13 Plus South.

14 **Q. PLEASE DESCRIBE THE ANNUAL BUDGETING PROCESS FOR**
15 **SERVICE COMPANY.**

16 A. Each year, all Service Company functions are required to prepare a one-year
17 budget. The Financial Planning and Analysis department, which is part of the
18 Finance Organization, is responsible for establishing the timeline, providing
19 high-level requirements for the budgets and communicating the requirements to
20 each CNP Business Unit Finance Director and each Service Company function
21 leader.

22 Using these guidelines, each function establishes a detailed budget in the
23 SAP system by general ledger account and cost center and incorporates inputs

1 regarding service needs from each business unit. During this time, budgeted
2 expenditures are identified as to whether they are billable or non-billable.
3 Non-billable costs are set up in a separate cost object established for that purpose.
4 Billable costs are identified as either directly billed or allocated. Each function then
5 provides these billable costs to the business unit for validation. Once validated, the
6 billable costs are included in the business units' budgets.

7 In accordance with a scheduled timeline, each business unit and function
8 present their one- and five-year budgets to the CNP Executive Committee for
9 review. As a result of the CNP Executive Committee review, business units or
10 functions may revise and refine their budgets before being compiled and presented
11 to the CNP Executive Committee and ultimately, the CNP Board of Directors for
12 final approval.

13 **Q. HOW DOES SERVICE COMPANY USE ITS BUDGETS TO CONTROL**
14 **COSTS AFTER THEY ARE PREPARED AND APPROVED?**

15 A. Service Company uses the budgets for monitoring and controlling costs, financial
16 planning at the corporate and business unit levels and providing the business units
17 with information as to what Service Company estimates its costs will be for the
18 year.

19 **Q. HOW DOES THE BUDGETING PROCESS HELP SERVICE COMPANY**
20 **CONTROL BILLINGS TO CENTERPOINT HOUSTON?**

21 A. The rigorous budgeting preparation and review process, prior to approval,
22 encourages each Service Company function to be disciplined and careful in
23 establishing their budgets. Prior to the start of the annual budget process and on a

1 monthly basis, each function leader is monitoring actual costs to the budgeted
2 amounts. The constant budgeting and monitoring processes ensure that costs
3 incurred by Service Company and billed to CenterPoint Houston are controlled,
4 reasonable, and necessary.

5 Each function is held accountable to its budgets through goals and monitors
6 their budget at service or lower levels. This process helps ensure the functions are
7 providing services in a cost-effective manner, monitoring incurred expenditures as
8 budgeted, and identifying, analyzing and resolving variances. Business units also
9 use a rigorous process to monitor and evaluate the adequacy and cost of services
10 provided.

11 To reinforce the budgeting process, monthly performance review meetings
12 are held with senior CNP leadership, including the Chief Executive Officer and
13 Chief Financial Officer allowing function leaders the opportunity to review
14 function performances against their respective budgets. This control helps ensure
15 compliance with the requirements of the Sarbanes Oxley Act of 2002. For
16 additional information regarding CenterPoint Houston's budgeting process, please
17 see Schedule V-K-10.

18 **Q. DOES CENTERPOINT HOUSTON USE THE BUDGETED COSTS FROM**
19 **SERVICE COMPANY TO CONTROL AND MONITOR COSTS?**

20 A. Yes. As an additional cost control measure, and on a monthly basis, CenterPoint
21 Houston also monitors the costs it receives from Service Company.

1 **Q. WHAT CONTROLS, OTHER THAN ITS BUDGETING PROCESS, DOES**
2 **SERVICE COMPANY HAVE IN PLACE TO ENSURE THAT AFFILIATE**
3 **COSTS ARE CONTROLLED AND BILLED PROPERLY?**

4 A. The Service Company also uses financial system and accounting controls to ensure
5 that costs are controlled and billed to affiliates properly. The oversight activities of
6 the Executive Committee provide additional controls as discussed below. These
7 controls ensure that affiliate expenses are reasonable and necessary, properly billed
8 and charged to CenterPoint Houston at a rate no higher than charges for the same
9 services rendered to other affiliates. These controls also aid in identifying charges
10 that must be excluded from rates under 16 TAC § 25.231.

11 **Q. ARE THERE ANY OVERSIGHT CONTROLS IN PLACE TO ENSURE**
12 **THAT SERVICE COMPANY COSTS ARE REASONABLE AND**
13 **NECESSARY?**

14 A. Yes. Before expenses are processed, the CNP Executive Committee provides a
15 thorough corporate review, oversight and control of significant expenditures for all
16 business units and Service Company. This review ensures that significant
17 investments or financial commitments are evaluated and approved by management.

18 **Q. HOW DO FINANCIAL SYSTEM CONTROLS ENSURE THAT**
19 **AFFILIATE COSTS ARE CONTROLLED AND BILLED PROPERLY?**

20 A. Financial system controls assure that formulaic affiliate billings are accurate and
21 timely. By calculating and billing affiliates through the automated processes in
22 SAP, Service Company, VUH, and CERC reduce the risk of error. SAP automation
23 also ensures timely and complete billings. Additionally, SAP security controls

1 include those associated with opening and closing the accounting period, creating
2 cost objects and cost elements, and posting journal entries. These controls ensure
3 that costs incurred and billed are appropriate and accurate.

4 **Q. HOW DO ACCOUNTING CONTROLS ENSURE THAT AFFILIATE**
5 **COSTS ARE CONTROLLED AND BILLED PROPERLY?**

6 A. Each month, the Accounting department reviews the inter-company accounts to
7 ensure that billings to affiliates are accurate, appropriate and remain in balance
8 between companies. Prior to closing the books, Accounting managers and Finance
9 directors are required to perform cost reviews, analyzing actual costs compared to
10 budgeted amounts. In addition to the detail review by both groups, CNP also has
11 systems and policies in place, for all companies including Service Company, to
12 ensure approval of transactions are applied before costs can be incurred and paid.
13 For example, CNP has an Authorization policy, reviewed by the Authorization
14 Policy Committee, comprised of Legal, Finance and Operations organizations, to
15 safeguard the spending levels of Company employees. These preventative and
16 detective controls ensure that costs are reasonable, accurate and appropriately
17 billed.

18 **Q. HOW DO SERVICE COMPANY, VUH, AND CERC ENSURE THAT**
19 **LABOR COSTS ARE REASONABLE?**

20 A. CNP maintains a formal process for evaluating and “pricing” each job, including
21 those within Service Company, VUH, and CERC. Annually, Human Resources
22 uses third party studies and reviews salaries to ensure that employee compensation
23 is within established market rates. This review helps ensure that CNP employees

1 are fairly compensated within ranges reflected in the local marketplace. Please see
2 the testimony of Company witness Ms. Villatoro for information on CNP's
3 compensation philosophy.

4 **Q. IS SAP USED TO CONTROL COSTS BILLED TO CENTERPOINT**
5 **HOUSTON?**

6 A. Yes. SAP is used to review, research and analyze the incurred and billed costs to
7 the business units, including CenterPoint Houston. This use of SAP helps to ensure
8 that costs are reasonable, necessary and properly billed and recorded.

9 **Q. CAN YOU SUMMARIZE THE PROCESS FOLLOWED BY SERVICE**
10 **COMPANY, VUH, AND CERC FOR BILLING CENTERPOINT**
11 **HOUSTON?**

12 A. Yes. Service Company, VUH, and CERC costs are billed to affiliates, including
13 CenterPoint Houston, through either direct billings or by allocation.

14 Direct assigned billings represent costs for services incurred directly on
15 behalf of a business unit and can be internal or external. Internal cost can be labor
16 costs associated with Service Company, VUH, and CERC employees performing
17 specific work for the business unit or costs that are derived based on established
18 units of measure. External cost may be billings from third-party vendors and
19 contractors.

20 The Service Company costs that cannot be directly assigned are allocated
21 to affiliates, including CenterPoint Houston, using allocation factors. The
22 allocation factors are input into SAP, allowing the allocation to be performed
23 through an automated process. A description of the allocation factors is included

1 on Schedule V-K-11. Schedules V-K-9.1 (confidential) through V-K-9.3 show the
2 calculations of the allocation factors used in 2023.

3 **Q. ARE THE AMOUNTS ASSIGNED TO CENTERPOINT HOUSTON AND**
4 **OTHER AFFILIATES COST-BASED?**

5 A. Yes. Service Company, VUH, and CERC bill expenses at cost.

6 **Q. ARE THE METHODS USED BY SERVICE COMPANY TO BILL ALL**
7 **AFFILIATES, INCLUDING CENTERPOINT HOUSTON, CONSISTENT?**

8 A. Yes. All costs for a given service that are directly related to affiliates, including
9 CenterPoint Houston, are directly assigned. If allocated, the cost are not higher
10 than the prices charged by Service Company, VUH, and CERC for the same class
11 of items to the Company's affiliates or divisions. A description of the allocation
12 factors is included on Schedule V-K-11.

13 **VIII. AFFILIATE BILLINGS**

14 **Q. WHAT ARE THE TOTAL AFFILIATE EXPENSES FOR THE TEST**
15 **YEAR?**

16 A. For the Test Year, the total amount of affiliate O&M expenses to CenterPoint
17 Houston was \$186.3 million. This information is provided by affiliate, class of
18 service, and by FERC account in Schedule V-K-12.3.

19 **Q. WHAT ARE THE TOTAL AFFILIATE CAPITAL COSTS FOR THE TEST**
20 **YEAR?**

21 A. For the Test Year, the total amount of affiliate capital costs to CenterPoint Houston
22 was \$90.2 million. This information is provided by affiliate, class of service, and
23 by FERC account in Schedule V-K-12.3.

1 **Q. HOW WERE THESE AFFILIATE COSTS IDENTIFIED?**

2 A. Using the CNP general ledger, the Company examined and captured all Test Year
3 transactions recorded to CenterPoint Houston.

4 **Q. HAVE AFFILIATES BILLED CENTERPOINT HOUSTON FOR WORK**
5 **ON CAPITAL PROJECTS?**

6 A. Yes. In accordance with CNP's Capitalization Policy, the Service Company billed
7 CenterPoint Houston for work on capital projects. Schedule V-K-5 contains a list
8 of all Service Company capital charges (with project descriptions) billed to
9 CenterPoint Houston from 2019 to 2023 that are included in CenterPoint Houston's
10 rate base. Refer to the testimony of Ms. Colvin for the Company's Capitalization
11 Policy.

12 **IX. SERVICE COMPANY, VUH, AND CERC COSTS BILLED TO**
13 **AFFILIATES**

14 **Q. DO SERVICE COMPANY, VUH, AND CERC USE THE SAME BILLING**
15 **METHODS?**

16 A. Yes. Service Company bills-out cost depending on the nature of the service, either
17 by direct assignment or allocated cost. CERC directly assigns costs to CenterPoint
18 Houston for services. VUH allocates the cost of services provided to CenterPoint
19 Houston. Specifically:

- 20 (1) **Directly Assigned** costs are incurred by the Service Company for the
21 direct benefit of a particular business unit and tracked and directly
22 billed to the specific business unit.
- 23 (2) **Allocated costs** are activities and costs that are incurred in support of
24 multiple business units and allocated to those business units based on
25 an allocation factor.

1 **Q. ARE SERVICE COMPANY, VUH, AND CERC COSTS BILLED**
2 **CONSISTENTLY ACROSS THE VARIOUS BUSINESS UNITS?**

3 A. Yes. For a given service, including CenterPoint Houston, costs are priced exactly
4 the same as those provided to other affiliates. Such equal treatment is necessary to
5 ensure that all affiliates bear their appropriate costs and no business unit is unfairly
6 advantaged or disadvantaged. If this process did not occur, some affiliates might
7 not bear their appropriate share of costs, causing a disproportionate bearing of cost
8 to the business units. This would be an unacceptable practice, especially with the
9 affiliates operating in regulated jurisdictions.

10 For services billed on the basis of time spent, each business unit is charged
11 the same rate per billable hour for the same service. To ensure that all costs are
12 billed each month, after service or billable hour units are billed, any residual
13 unassigned amounts are allocated to the business units based on planned activities.

14 **Q. CAN YOU DESCRIBE DIRECTLY ASSIGNED COSTS IN GREATER**
15 **DETAIL?**

16 A. Yes. Directly assigned costs are charges that are brokered, administered, secured
17 or incurred by the Service Company or CERC for a particular business unit. At
18 times, Service Company functions, perform tasks at the request of a business unit.
19 An example of this type of cost is legal fees related to CenterPoint Houston's
20 transmission and distribution support. These legal fees are paid by the Service
21 Company and then directly billed to CenterPoint Houston. Another example is
22 when I.T. is asked to create a financial dashboard for Finance. This I.T. service,
23 provided within the Service Company, is billed at an established unit of measure.

1 **Q. PLEASE EXPLAIN ALLOCATED COSTS IN GREATER DETAIL.**

2 A. Allocated costs are those expenses incurred in Service Company and VUH to
3 support multiple business units and are allocated across the applicable business
4 units based on allocation factors. Examples of allocated costs include accounting,
5 finance, strategic planning, executive management, investor relations, treasury,
6 human resources, and certain legal services. The allocation methodology is
7 discussed in more detail later in my testimony.

8 **Q. CAN MORE THAN ONE ALLOCATION FACTOR BE USED IN A**
9 **FUNCTIONAL AREA?**

10 A. Yes. For example, most Human Resources costs are incurred in support of
11 activities directly related to employees, such as recruiting, hiring, learning and
12 organizational development. Costs for these activities are allocated to the affiliates
13 based on headcount within each affiliate. However, Human Resources activities
14 also include development and execution of human resources strategy, policy and
15 processes. These activities are allocated to affiliates using the composite ratio
16 method discussed later in my testimony.

17 **Q. CAN BOTH DIRECT ASSIGNMENT AND ALLOCATION METHODS BE**
18 **USED IN A FUNCTIONAL AREA?**

19 A. Yes. In some instances, the activities performed by a cost center may require
20 utilization of both direct assignment of costs, as well as allocation of costs. For
21 example, when a Service Company corporate accounting employee performs
22 accounting research specific to a particular business unit, that activity is directly
23 billed to that business unit. However, when that same employee performs research

1 applicable to multiple business units, that activity is allocated using the composite
2 ratio formula described later in my testimony. Both of these methodologies can be
3 found in Exhibit LDS-3a under the assignment method for Financial
4 Reporting/Corporate Accounting.

5 These methods are described in detail in the Cost Center Assignment Manual for
6 each of Service Company, CERC, VUH, and CenterPoint Houston. In the cost
7 center assignment manuals, the type of charge may be listed as direct or allocation
8 based on the primary billing methodology for such charge, but the assignment
9 method and basis of assignment detail the specifics of such billing methodologies—
10 like the example provided above—for each cost center and the major activities
11 performed.

12 **Q. WOULD CENTERPOINT HOUSTON REQUIRE THE SERVICES**
13 **PROVIDED BY SERVICE COMPANY, VUH, AND CERC IF IT WERE A**
14 **STAND-ALONE BUSINESS ENTITY?**

15 A. Yes. There is nothing unnecessary or duplicative about any of Service Company,
16 VUH or CERC services being provided to affiliates such as CenterPoint Houston.
17 These services are necessary for the operation of any business regardless of whether
18 the service is performed centrally, as is done at CNP, or decentralized and residing
19 at the business unit level. This work is performed more effectively at the corporate
20 level due to its emphasis on the consolidated results and operations of CNP.

21 **Q. WHY IS IT NECESSARY TO BILL SERVICE COMPANY, VUH, AND**
22 **CERC COSTS TO THE BUSINESS UNITS?**

1 A. Service Company, VUH and CERC bill actual costs incurred to the business units
2 in order to better reflect the results of those operations as if they were stand-alone
3 entities. This practice is important to managing, controlling and understanding the
4 true costs of business unit operations, and in the case of regulated businesses,
5 allowing for recovery of reasonable and necessary costs incurred in support of that
6 business.

7 **Q. ARE ANY SERVICE COMPANY COSTS NOT BILLED TO THE**
8 **BUSINESS UNITS?**

9 A. Yes. Certain costs incurred at the corporate level, such as interest expense and
10 corporate business development expenses, are not billed to the business units.

11 **Q. DOES SERVICE COMPANY EVER PROVIDE SERVICES TO**
12 **CENTERPOINT HOUSTON OR OTHER AFFILIATES THAT ARE NOT**
13 **RECOVERABLE IN RATES?**

14 A. Yes. Service Company may at times provide services to business units that are not
15 recoverable in their rates. For example, contributions to political organizations or
16 causes, legislative advocacy expenses, and expenditures intended to increase
17 electric consumption, are identified in 16 TAC § 25.231(b)(2) as costs that are not
18 recoverable in rates. Nevertheless, the cost of these services are billed to business
19 units using the billing methodologies assigned, regardless of whether the business
20 units are able to recover those costs.

1 **Q. HOW ARE COSTS, WHICH ARE NOT RECOVERABLE IN RATES,**
2 **TRACKED?**

3 A. Service Company bills these costs through separate accounts specifically
4 established for tracking these expenditures. CenterPoint Houston can then identify
5 and exclude these amounts from its regulatory filings. Please see Ms. Colvin's
6 direct testimony for a discussion of the excluded costs.

7 **X. SERVICE COMPANY, VUH, AND CERC ALLOCATION**
8 **METHODOLOGIES**

9 **Q. HOW ARE ALLOCATED COSTS BILLED?**

10 A. Allocated costs are billed to the business units and in some cases, to other Service
11 Company cost centers based on allocation factors discussed below.

12 **Q. PLEASE DESCRIBE THE ALLOCATION FACTORS USED BY SERVICE**
13 **COMPANY.**

14 A. The four main categories of allocation factors used by Service Company are the
15 composite ratio, assets, operating expenses, and number of employees. Within each
16 of these general categories of allocation factors, specific factors are used to allocate
17 costs to specific business units. Schedule V-K-11 provides a complete list of the
18 allocation factors, with a detailed description, usage, and the procedures for
19 calculating each allocation factor.

20 **Q. PLEASE DESCRIBE THE COMPOSITE RATIO.**

21 A. The composite ratio formula allocates governance costs incurred by the Service
22 Company on behalf of its affiliates. This three-part formula, consisting of assets,
23 gross margin, and number of employees applied at 40%, 40%, and 20% ratio,
24 respectively, attempts to fairly distribute and allocate the overhead cost to each

1 affiliate member. As required by Section 13(b) of PUHCA¹, the composite ratio
2 formula was developed to allocate corporate governance costs among business
3 units, including Service Company. The structure was intended to ensure that an
4 appropriate share of governance costs is allocated to the corporate parent.

5 **Q. WHAT IS AN EXAMPLE IN WHICH THE COMPOSITE RATIO IS USED**
6 **AS A METHOD OF ASSIGNING COSTS?**

7 A. An example is the Chief Accounting Officer (“CAO”). The CAO focuses on the
8 daily aspect of business costs and company records, ensuring that all ledger
9 accounts, financial statements, and cost control policies are in place. Therefore, the
10 CAO costs, excluding costs directly incurred for affiliates, are assigned to the
11 affiliates using the composite ratio.

12 **Q. HOW WERE THE ALLOCATION FACTORS DETERMINED?**

13 A. Prior to the repeal of PUHCA, the SEC provided oversight of Service Company.
14 In preparation for the formation of Service Company and its regulation by the SEC,
15 CNP commissioned an outside consultant, Maximus, Inc. (“Maximus”), a firm that
16 specializes in assignment studies, to review the bases of allocations of Service
17 Company costs. Maximus opined that the methodology being used was sound, fair
18 and equitable. Maximus proposed some enhancements to the assignment methods
19 which were incorporated into the Corporate Cost Center Assignment Manual for
20 2004 and thereafter. The Maximus study confirmed five criteria for a reasonable
21 cost assignment methodology: (i) cost causative, (ii) measurable, (iii) objective,
22 (iv) stable/predictable, and (v) consistently applicable. The criteria have been

¹ Public Utility Holding Company Act of 1935.

1 followed in establishing the assignment methodologies used by Service Company.

2 The assignment methodology has been reviewed by the Commission and is a
3 reasonable, objective, and accurate basis for distributing affiliate operating costs.

4 **Q. HOW ARE ALLOCATION FACTORS ESTABLISHED?**

5 A. During the budgeting cycle, allocation factors used to allocate the annual budget
6 are established reflecting the business unit plans. These allocation factors are then
7 used to charge actual costs to the business units during the first quarter of the year.
8 Allocation factors are evaluated quarterly and updated annually and as needed to
9 reflect the most current activity through that point in time. For example, allocation
10 factors based on headcount are evaluated after the first quarter to determine changes
11 in headcount during the first quarter. These new factors are used in the second
12 quarter if material variances exist. This process is repeated at the end of the second
13 and third quarters.

14 **Q. HOW ARE THE ALLOCATION FACTORS CALCULATED?**

15 A. Each allocation factor is calculated internally using the methodology listed in
16 V-K-11. Please see Schedule V-K-9.1 (confidential) through V-K-9.3 for the
17 calculations of the allocation factors used each quarter during the Test Year.

18 **Q. DOES CNP HAVE WRITTEN GUIDELINES FOR HOW COSTS ARE**
19 **DISTRIBUTED AMONG AFFILIATES?**

20 A. Yes. Attached as Exhibits LDS-3a through LDS-3d, are the following 2023 cost
21 center assignment manuals:

22 (1) Service Company Cost Center Assignment Manual;

23 (2) CERC Cost Center Assignment Manual;

24 (3) VUH Cost Center Assignment Manual; and

1 (4) CenterPoint Houston Cost Center Assignment Manual.

2 The manuals include the allocation factors used for all applicable Service Company
3 cost centers and are updated annually. The basic methodologies described in the
4 manuals have been used for several years. As CNP has acquired other businesses,
5 including those with state regulatory oversight, it has continued to apply the same
6 consistent methodology to the distribution of these costs.

7 **Q. WHAT TYPES OF INFORMATION ARE FOUND IN THE COST CENTER**
8 **ASSIGNMENT MANUALS?**

9 A. The assignment manuals document the billing methodology used by each Service
10 Company cost center and detail the following information for each cost center:
11 (1) the major activities performed by the cost center; (2) the cost assignment
12 method for the cost center; and (3) the basis or rationale supporting the
13 reasonableness of that assignment method.

14 **Q. IS AN ASSIGNMENT METHOD IDENTIFIED FOR EACH SERVICE**
15 **COMPANY FUNCTION?**

16 A. Yes. Each function is reviewed following guidelines outlined in the cost center
17 assignment manuals to determine the proper method to assign costs to the cost
18 centers within the function. The manuals outline the allocation method for each
19 Service Company cost center.

20 **Q. HOW ARE THE APPROPRIATE ALLOCATION FACTORS IDENTIFIED**
21 **FOR EACH COST CENTER?**

22 A. First, each cost center's activities are analyzed to determine the nature of the
23 incurred cost and how the activities are performed. Second, the business units that

1 are served by each cost center are identified. Finally, the appropriate allocation
2 factors and method of distributing expenses for each business unit are derived. For
3 example, the Payroll Department, within Finance, processes payroll transactions
4 for all CNP employees. Employee headcount is a commonly used allocation factor
5 to allocate this type of cost. As a result, each business unit is allocated a portion
6 of the cost of the Payroll Department based on the business unit's employee
7 headcount.

8 **XI. TEST YEAR AFFILIATE ADJUSTMENTS**

9 **Q. HAVE ANY AMOUNTS INCURRED BY SERVICE COMPANY BEEN**
10 **EXCLUDED FROM THE TEST YEAR?**

11 A. Yes, please see the testimony of Ms. Colvin for Service Company adjustments
12 related to expenses excluded under 16 TAC § 25.231(b)(2).

13 **Q. HAVE ANY ADJUSTMENTS BEEN MADE TO THE TEST YEAR**
14 **SERVICE COMPANY COSTS BILLED TO CENTERPOINT HOUSTON?**

15 A. Yes, the Company made an adjustment for Service Company pay increases that will
16 be effective on April 1, 2024. Service Company salaries, short-term incentive
17 ("STI"), and savings have been annualized and calculated to show the impact of
18 these costs. Please reference Schedule V-K-6 Adjustments to the Test Year
19 Expenses for additional details. Adjustments associated with the normalization of
20 2023 Service Company pay, STI, and savings were made consistent with the same
21 adjustments for CenterPoint Houston labor expense, which is discussed in Ms.
22 Colvin's testimony.

Figure 4. Service Company Salary, STI, and Savings Adjustment (000s)

Compensation	Non-Union	Union
Salaries	\$ 1,353	(\$ 7)
STI	254	0
Savings	267	1
Total	\$ 1,874	(\$ 6)

Figure 4 - Service Company Salary, STI, and Savings Adjustment (000s)

Q. PLEASE DESCRIBE THE ADJUSTMENT TO NORMALIZE SERVICE COMPANY SALARIES, STI, AND SAVINGS.

A. To meet market conditions, CNP salaries, union and nonunion, are adjusted on an annual basis. Following the Test Year, CNP salaries increased by an estimated 3.5% for all business units, including Service Company and CenterPoint Houston. Distributing a Competitive Pay Adjustment (“CPA”) to employees helps CNP remain competitive with the industry while retaining talented and experienced staff. As shown on Schedule V-K-2, and detailed on Schedule V-K-6 Adjustments to Test Year Expenses, the adjustments proposed to the Test Year Service Company billings to CenterPoint Houston is a 3.5% CPA which has a \$1.35 million impact on total Service Company billings to CenterPoint Houston. Please see the testimony of Ms. Villatoro for information on CNP’s compensation philosophy.

Q. HAS THE COMPANY ADJUSTED AFFILIATE EMPLOYEE BENEFIT EXPENSE?

A. Yes. Consistent with the Company’s prior base rate cases, proposed adjustments were made to update its test year expenses for pension and other post-employment benefit (“OPEB”) expense to reflect actual annual expenses as determined by the 2023 actuarial studies. This adjustment is detailed on Schedule V-K-6 Adjustments to Test Year Expenses.

1 **Q. WERE ANY ADJUSTMENTS MADE TO THE COSTS RELATED TO THE**
2 **RETIRED AND FORMER CEO?**

3 A. Yes. An adjustment was made to remove from the Test Year the salary, STI, and
4 LTI of the former CEO due to compensation agreements that will be non-recurring.
5 This adjustment is detailed on Schedule V-K-6 Adjustments to Test Year Expenses
6 and the expense related to this adjustment is \$12.3 million.

7 **Q. WERE ANY OTHER ADJUSTMENTS MADE BY SERVICE COMPANY**
8 **COSTS BILLED TO CENTERPOINT HOUSTON DURING THE TEST**
9 **YEAR?**

10 A. Yes. An adjustment was made to remove non-recurring depreciation expense
11 related to assets transferred from Service Company to all business units, including
12 CenterPoint Houston, and is detailed on Schedule V-K-6 Adjustments to Test Year
13 Expenses.

14 **Q. WERE ANY ADJUSTMENTS MADE TO VUH OR CERC COSTS BILLED**
15 **TO CENTERPOINT HOUSTON DURING THE TEST YEAR?**

16 A. Yes. VUH and CERC costs billed to CenterPoint Houston during the Test Year
17 were directly assigned at cost and only adjustments for billing errors were made.

18 **Q. ARE THE TEST YEAR SERVICE COMPANY, VUH, AND CERC COSTS**
19 **BILLED TO CENTERPOINT HOUSTON REASONABLE AND**
20 **NECESSARY?**

21 A. Yes. The services provided by Service Company, VUH, and CERC are necessary
22 for the operations of CenterPoint Houston and not discretionary. CNP's centralized
23 design allows Service Company to leverage corporate resources allowing the costs

1 to be lower than they would have been on a stand-alone basis. The actual costs
2 billed are consistently applied to all business units including the methodology used
3 to allocate cost.

4 Furthermore, Service Company complies with Commission rules requiring
5 that affiliate costs be fully allocated. In order to recover affiliate costs in
6 accordance with PURA, Service Company ensures that costs are reasonable,
7 necessary and not priced higher to the utility than the prices charged for the same
8 services to other affiliates or to non-affiliates within the same market or having the
9 same market conditions. Service Company, VUH, and CERC ensure expenses are
10 billed at cost and services provided to CenterPoint Houston are not duplicative of
11 any of the services received by CenterPoint Houston.

12 **XII. CONCLUSION**

13 **Q. PLEASE SUMMARIZE YOUR TESTIMONY ON THE AFFILIATE COSTS** 14 **REQUESTED BY CENTERPOINT HOUSTON IN THIS CASE.**

15 A. The affiliate costs charged to CenterPoint Houston include corporate support
16 services and operational support and are of the type enumerated in the definition of
17 16 TAC § 25.272(c)(4) of “corporate support services.” These costs are fully
18 assigned and conform with the applicable requirements of 16 TAC § 25.272 and
19 PURA § 36.058. As discussed, not only in my testimony but in the direct testimony
20 of the other witnesses as well, the affiliate costs charged to CenterPoint Houston
21 are reasonable and necessary and have been priced no higher than Service
22 Company, VUH or CERC charges other affiliates for the same service. There is no
23 preferential treatment among, or cross-subsidization of, affiliates.

1 **Q. HOW WOULD YOU CHARACTERIZE THE COSTS ASSIGNED TO**
2 **CENTERPOINT HOUSTON BY SERVICE COMPANY, VUH, AND CERC?**

3 A. The costs assigned to CenterPoint Houston by Service Company, VUH, and CERC
4 are reasonable and necessary for the support of CenterPoint Houston operations.
5 This is borne out through: (1) Service Company, VUH, and CERC compliance with
6 variance PURA rules outlined in my testimony; (2) the consistent use of SLAs to
7 govern relationships and transactions with affiliates; (3) the consistent use of cost
8 center assignment manuals which specify allocation factors and are updated
9 annually as warranted; and (4) the application of budgeting and other cost controls
10 as discussed in my testimony.

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

12 A. Yes.

The following files are not convertible:

Affiliate Services.pptx	Exhibit LDS-1 - Diagram and Summary of
Affiliate and Division Relationships.pptx	Exhibit LDS-2 - CenterPoint Energy Inc
Cost Center Assignment Manual.xlsx	Exhibit LDS-3a - 2023 Service Company
Assignment Manual.xlsx	Exhibit LDS-3b - 2023 CERC Cost Center
Assignment Manual.xlsx	Exhibit LDS-3c - 2023 VUH Cost Center
Houston Cost Center Assignment Manual.xlsx	Exhibit LDS-3d - 2023 CenterPoint

Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.

PUBLIC UTILITY COMMISSION OF TEXAS CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC PROCEDURES MANUAL TEST YEAR ENDING DECEMBER 31, 2023

Budgetary Planning

The current planning process at CenterPoint Energy, Inc. begins with a formal strategic planning process that provides for a formal annual review by all CenterPoint Energy, Inc. business units. As part of this process there are formal sessions in which the business units (or “Client Company”) meet with representatives of CenterPoint Energy Service Company, LLC (“CenterPoint Service Company”) to share relevant information that is used by the CenterPoint Service Company in developing the proposed annual budget. In addition to the formal meetings, there are ongoing meetings throughout the year between representatives of CenterPoint Service Company and the business units to discuss and identify any planned decreases or increases in business activities that may affect future resource planning.

The current budgeting process for CenterPoint Service Company requires each functional area to meet with the respective business unit to determine future service needs, which may include both ongoing operations and project activities or unique one-time activities. Based upon the information provided by the business units to CenterPoint Service Company representatives, a proposed budget is developed by each functional group within CenterPoint Service Company. Once initial budgets are defined, meetings are held with the president of each of the business units along with his/her financial director and any appropriate support personnel. Based on the discussions with the business units, adjustments are made to the respective CenterPoint Service Company budgets, which are then incorporated into the business units’ budgetary plans.

The next step in the annual planning process is a review of the proposed business plans and corresponding budgets by each of the CenterPoint Service Company’s functional areas and business units with the Executive Committee. Upon final adjustments to proposed business plans and budgets, a presentation is made to the CenterPoint Energy Board of Directors.

The final step in the planning process is to develop the Service Level Agreements (“SLA’s”) to reflect the agreed upon services, pricing and performance standards. The final SLA's are then distributed to respective business unit finance directors to coordinate a final review and signature of the business unit president.

Monitoring of Costs and Management Reporting

During the year, performance review meetings are held where each business unit head presents to the senior management team a recap of current month and year to date financial performance. These reports include a specific section for the billings from CenterPoint Service Company and explanations for deviations. In addition to the business units, each of the functional unit leaders of CenterPoint Service Company provide a recap of their respective financial performance and billings to the business units.

The preparation of these monthly reports is coordinated by the financial director employed by each business unit and reporting to the respective president. Part of the preparation of these reports requires a detailed review of the billings received by the business unit from CenterPoint Service Company to insure reasonableness and accuracy. Any discrepancies that are not evident in the billings are referred to the finance director for CenterPoint Service Company for further explanation.

Arms-Length Transactions

Each business unit has a finance director, reporting to the respective business unit president that is charged with overseeing that the services being provided by the service company are appropriately priced and periodic reviews of the billings are consistent with the annual SLA. To ensure the cost of services are competitive with the market, periodic reviews and assessments are performed through both benchmarking and outsourcing studies.

Cost Object Monitoring and Control

The CenterPoint Service Company Finance Organization is responsible for reviewing, monitoring, and maintaining the cost objects. The CenterPoint Service Company Finance Organization will also establish new cost objects. An annual review is required in addition to the day-to-day maintenance of the system. As part of the annual review, the CenterPoint Service Company Finance Organization monitors and close inactive cost objects.

Allocation Factors Update and Revisions

Allocation factors are based on cost drivers specifically applicable to the service provided. The CenterPoint Service Company Finance Organization has the primary responsibility for ensuring that allocation factors are correct, accurate and current. Allocation factors are updated annually, at year-end.

Allocation factors are evaluated quarterly to reflect year-to-date activity through that point in time. For example, allocation factors are evaluated after the first quarter reflecting year-to-date activity through the first quarter. These new factors will be applied to the next quarter if material variances from the prior evaluation period exist. This process is repeated at the end of the second and third quarters. The new allocation factors are applied as needed when material variances exist or until the next annual update occurs.

The CenterPoint Service Company Finance Organization is responsible for evaluating new allocation methodologies and the frequency of updates and revisions. Allocation factors in effect for 2023 are set forth on Schedule V-K9.1 through V-K-9.3.

Time Reporting

Certain CenterPoint Service Company employees keep time records supporting labor charged to separately identifiable goods and services performed for Client Companies. All time is entered into SAP either through an automated timekeeping system or through manual entry directly into SAP. Cost objects to which time entries relate are identified in the timekeeping system, and costs associated with those time entries are charged to the appropriate cost objects through SAP billings.

Employees record time weekly in a minimum of 30-minute increments. Departments may elect to record employee's time in increments smaller than 30-minutes to meet special needs. The employee's immediate supervisor reviews and approves time reports. Department Time Coordinators review time entry monthly to insure 100% accountability and compliance.

Time records are maintained for at least six years.

Billing and Review

Monthly invoices are rendered by CenterPoint Service Company for services rendered. Invoices are, to the extent feasible, in the form of electronic reports in the SAP system. Charges are rendered during the first week of each month covering amounts incurred during the prior month. For most Client Companies, charges are invoiced through an SAP entry which journalizes the actual monthly charges on the customer's books on the first workday of the financial close. Charges are based on actual amounts incurred. If allocations are required, they are based on estimated values based on estimates in budget plans for the relevant values. Estimated amounts are adjusted on subsequent charges either in a subsequent month or at the end of the year. Payment is made by the Client Company by making remittance or by making (offsetting) accounting entries of the amount billed.

Management of each Client Company is responsible for reviewing invoices from CenterPoint Service Company to determine accuracy and appropriateness of charges.

CenterPoint Service Company's billing system will use 17 C.F.R. Section 256 et. al, the "Uniform System of Accounts for Mutual Service Companies", established by the Commission for holding company systems, as may be adjusted to use the FERC uniform system of accounts. ServiceCo will support its charges with reasonable documentation (which may be maintained in electronic form). Service Company will adjust charges as required to reflect the discovery of errors or omissions in the charges.

Dispute Resolution Procedure

From time to time, disputes may arise regarding the services and products provided by CenterPoint Service Company. The employees of the Client Company and the employees of CenterPoint Service Company are encouraged to resolve those disputes on an informal basis in as timely a manner as possible, and the CenterPoint Service Company agrees, upon reasonable request, to provide access to relevant books and records. However, if during the year a dispute arises as to the scope of any service or the nature of any product, the delivery terms, the related performance metrics and standards, or the price for any service or product which cannot be resolved on an informal basis, the Client Company and CenterPoint Service Company will resolve the dispute using the following procedures:

A. A supervisor or manager of the Client Company who is responsible for the use of the service or the consumption of the product about which there is a dispute will notify in writing, or by email, a supervisor or manager of CenterPoint Service Company who is responsible for providing the service or product of the nature of the dispute, including specific examples of problems or failures which gave rise to the dispute. The supervisor or manager of the Client Company shall also present a proposed resolution of the dispute and propose a date and time for a meeting to resolve the dispute. The supervisor or manager of CenterPoint Service Company shall acknowledge in writing, or by email, his or her receipt of the notice of the dispute and agree to the meeting, suggest an alternative date and time for the meeting proposed by the supervisor or manager of the Client Company, or contact the supervisor or manager of the Client Company to schedule a meeting date and time that the two may agree upon.

B. The supervisor or manager of the Client Company and the supervisor or manager of CenterPoint Service Company may meet as often as both agree is necessary to resolve the complaint, and their meeting or meetings may include such other employees as may be helpful in resolving the dispute. If after such meeting or meetings, but in no event later than thirty days after the initial notice of the dispute was given, the supervisor or manager of the Client Company and the supervisor or manager of CenterPoint Service Company are unable to resolve the dispute, the dispute shall be referred to the appropriate executive of the Client Company and an executive of CenterPoint Service Company for resolution.

C. The executive of the Client Company and the executive of CenterPoint Service Company shall meet at a date and time or dates and times they mutually agree upon. Such meetings or meetings may include any employees either executive believes will be helpful in resolving the dispute. If, after such meeting or meetings, the executive of the Client Company and the executive of CenterPoint Service Company reasonably believe they cannot resolve the dispute, the dispute shall be referred to the most senior executives of the Client Company and of CenterPoint Service Company for resolution in accordance with whatever procedures senior management may establish.

Internal Audit Control

Internal Audit, under the direction of the Vice President of Audit Services, conducts periodic reviews of CenterPoint Service Company's business processes and systems to ensure that the services provided are properly documented and charged to the Client Companies on an appropriate basis. Reviews are performed such that all major service areas are evaluated over time. Internal Audit also conducts reviews of transactions and cost object charge methods to assess whether they comply with SEC requirements.

Internal Audit maintains an independent role and has direct contact to CenterPoint Energy's Audit Committee. Audit findings, recommendations, and progress toward resolution of findings are reported to the Audit Committee and Senior Management as appropriate.



CenterPoint Energy Service Company, LLC

2023 Service Level Agreement for

CenterPoint Energy Houston Electric

CenterPoint Energy ServiceCo LLC

2023 Service Level Agreement Contents

CenterPoint Energy Houston Electric

1. 2023 Business Unit Billing Plan
2. Master Services Agreement
3. Customer Operations
4. Finance
5. Human Resources
6. Legal
7. Facilities Management
8. Regulatory & Government Affairs
9. Purchasing & Logistics
10. Information Technology
11. Continuous Improvement

CenterPoint Energy
Business Services
2023 Planned Billings - CEHE

		Annual Plan			
		Expense	Capital	Total	
Total		153,451,227	102,601,392	254,511,094	100%
Service Providers		Expense		Total	
Communication & Community Relations	Direct	405,700		405,700	
	Indirect	1,667,727		1,667,727	
Communications & Community Relations Total		2,073,427		2,073,427	1%
Human Resources	Direct	-		-	
	Indirect	6,257,791		6,257,791	
Human Resources Total		6,257,791		6,257,791	2%
Sr Executive	Direct	-		-	
	Indirect	2,603,197		2,603,197	
Sr Executive Total		2,603,197	913,378	3,516,575	1%
Finance	Direct	1,645,237		1,645,237	
	Indirect	14,445,262		14,445,262	
Finance Total		16,090,499	3,538,818	19,629,317	8%
Facilities & Security	Direct	1,112,790		1,112,790	
	Indirect	1,652,640		1,652,640	
Total Facilities & Security		2,765,430	-	2,765,430	1%
Purchasing & Logistics	Direct	-		-	
	Indirect	3,585,919		3,585,919	
Purchasing & Logistics Total		3,585,919	6,775,666	10,361,585	4%
Customer Operations	Direct	-		-	
	Indirect	8,569,805		8,569,805	
Customer Operations Total		8,569,805	-	8,569,805	3%
Regulatory & Govt Affairs	Direct	5,577,061		5,577,061	
	Indirect	4,447,156		4,447,156	
Regulatory & Govt Affairs Total		10,024,217	-	10,024,217	4%
Legal	Direct	1,957,598	5,396,380	7,353,978	
	Indirect	15,157,454	1,370,973	16,528,427	
Legal Total		17,115,052	6,767,353	23,882,405	9%
Information Technology	Direct	58,076,461		58,076,461	
	Indirect	-		-	
Information Technology Total		58,076,461	83,064,652	141,141,113	55%
Properties	Direct	-		-	
	Indirect	-		-	
Properties Total		-		-	0%
Safety	Direct	-		-	
	Indirect	992,368		992,368	
Safety Total		992,368		992,368	0%
Contin. Improvement	Direct	-		-	
	Indirect	1,929,067		1,929,067	
Contin Improvement		1,929,067	1,541,525	1,929,067	1%
Other Corporate	Direct	-		-	
	Indirect	23,367,994		23,367,994	
Other Corporate		23,367,994		23,367,994	9%
Corporate		80,453,612	12,761,074	91,673,161	36%
Technology Operations		58,076,461	83,064,652	141,141,113	55%
Business & Operations Support		6,351,349	6,775,666	13,127,015	5%
Properties		-		-	0%
Customer Operations		8,569,805	-	8,569,805	3%
Total:		153,451,227	102,601,392	254,511,094	100%

Form of
Master Services Agreement

Between

CenterPoint Energy Houston Electric, LLC

And

CenterPoint Energy Service Company, LLC

This Master Services Agreement (the "Agreement"), dated as of January 1, 2023, is entered into in multiple parts by and between the CenterPoint Energy Houston Electric, LLC ("CenterPoint Houston" or "Recipient") and CenterPoint Energy Service Company, LLC, a Texas limited liability company ("ServiceCo").

RECITALS

CenterPoint Energy, Inc. ("CenterPoint") has formed ServiceCo as a subsidiary company to provide services, as set forth herein, to CenterPoint and its subsidiaries.

Accordingly, ServiceCo and CenterPoint Houston desire to enter into this Agreement to allow for the provision of services by ServiceCo to CenterPoint Houston.

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties hereto agree as follows:

I. EFFECTIVE DATE.

This Agreement shall be effective beginning January 1, 2023 or such subsequent date as agreed by the parties hereto, and shall continue in effect until terminated by Recipient or ServiceCo pursuant to the provisions set forth in Article VIII, Section C (Termination and Modification).

II. SERVICES OFFERED.

Exhibit I to the Agreement lists and describes the services that may be available from ServiceCo. ServiceCo offers to supply those services to each Recipient that is a party to the Agreement. The services, excluding governmental or compliance, are and will be provided to Recipient only at the request of Recipient. From time to time, the parties may identify additional services that ServiceCo may provide to Recipient under this Agreement. ServiceCo will consult with Recipient to delineate the scope and terms of additional services that may be offered.

The services offered may be further described in Service Level Agreements that define performance metrics or standards and other procedures and requirements with respect to the provision of a particular category of services. To the extent a category of service is more fully described in a Service Level Agreement, it is incorporated into this Agreement by reference.

ServiceCo shall maintain sufficient resources to perform its obligations under this Agreement and shall perform its obligations in a commercially reasonable manner. If no specific performance metrics for the provision of a service are established, ServiceCo shall provide the service exercising the same care and skill as it exercises in performing similar services for itself.

If a Recipient requests the level at which any service to be provided to be scaled up to a level in excess of the level in effect during the prior twelve months, Recipient shall give ServiceCo such advance notice as it may reasonably require sufficient to make any necessary preparations to perform such services on the scaled up or modified basis. The level of a service shall be considered scaled up if providing the service at the proposed level involves an increase in personnel, equipment or other resources that is not de minimis and is not reasonably embraced by the agreed definition and scope of that service prior to the proposed increase. The Recipient will be responsible for any additional costs associated with such "scaled-up" services.

III. SERVICES SELECTED

A. Initial Selection of Services.

Each Recipient shall designate on Exhibit II to the Agreement the services that it agrees to receive from ServiceCo. Designation may also be in the form of an opt-out where each company agrees to receive all services from ServiceCo except those specifically enumerated in Exhibit II.

B. Annual Selection of Services.

ServiceCo shall send an annual service proposal form to each Recipient on or about July 1 listing services proposed for the next fiscal year. By August 31, Recipient shall notify ServiceCo of the services it has elected to receive during the next fiscal year.

C. Additional Services

Each Recipient shall designate on Exhibit II to the Agreement, an amendment for additional services offered/requested from ServiceCo.

D. Responsibility for Services.

ServiceCo's sole responsibility to Recipient for errors or omissions in services shall be to furnish correct information and/or adjustments in the services, at no additional cost or expense to Recipient; provided, Recipient must promptly advise ServiceCo of any such error or omission of which it becomes aware after having used reasonable efforts to detect any such errors or omissions. In no event shall ServiceCo have any liability under this Agreement or otherwise arising out of or resulting from the performance of, or the failure to perform, services for loss of anticipated profits by reason of any business interruption, facility shutdown or non-operation, loss of data or otherwise or for any incidental, indirect, special or consequential damages, whether or not caused by or resulting from negligence, including gross negligence, or breach of obligations hereunder and whether or not Recipient was informed of the possibility of the existence of such damages.

IV. PERSONNEL

ServiceCo will provide services by using the services of executives, accountants, financial advisers, technical advisers, attorneys, engineers and other persons with the necessary qualifications.

If necessary, ServiceCo, after consultation with Recipient, may also arrange for the services of affiliated or unaffiliated experts, consultants, attorneys and others in connection with the performance of any of the services supplied under this Agreement. ServiceCo also may serve as administrative agent, arranging and monitoring services provided by third parties to Recipient, whether such services are billed directly to Recipient or through ServiceCo.

ServiceCo may contract for the services of certain employees of other subsidiaries or affiliates of CenterPoint for the purpose of staffing its service operations.

V. COMPENSATION AND ALLOCATION

A. Basis for Charges.

Unless otherwise specifically agreed between ServiceCo and a Recipient, ServiceCo will provide such services at cost allocated on a fair, nondiscriminatory basis. The parties shall use good faith efforts to discuss any situation in which the actual charge for a service is reasonably expected to exceed the estimated charge, if any, set forth in a Service Level Agreement, provided, however, that charges incurred in excess of any such estimate shall not justify stopping the provision of, or payment for, services under this Agreement. ServiceCo shall establish its charges based on the following principles:

1. The price charged for each service or product will be the same as that charged any other CenterPoint business unit for like services or products at like volumes for a given period;

2. Amounts charged for items not allowed for recovery in regulated rates will be identified and billed separately to allow the rate regulated entity to report the cost as required (e.g. legislative advocacy expenses);

3. The price charged for each service or product shall reflect only those costs, including labor, incurred by ServiceCo, either directly or indirectly (including return on and of any assets owned by ServiceCo), which are reasonable and necessary to provide such service or product; and

4. To the extent the price charged for each service or product reflects an allocation of costs incurred, ServiceCo will endeavor to ensure that such allocation reasonably approximates the actual costs incurred in providing that service or product.

B. Adjustments to Charges During a Year.

The parties recognize that the charges for services and products may depend on market conditions and on the quantities of services or products taken and that the pricing established under a Service Level Agreement reflects the quantities Recipient has stated it expects to use or consume over the course of the year, or where no specific quantities have been established, the pricing reflects the quantities that Recipient has consumed or contracted for in a prior year. During the course of the year, Recipient will make reasonable effort to inform ServiceCo of expected changes in the volumes and patterns of Recipient's consumption of services and products, and ServiceCo will make reasonable efforts to maintain the pricing stated in the Service Level Agreement or a client billing plan reflecting Service Level Agreement charges. However, charges for services and products may require residual clearings at the end of a period to adjust the billings for the actual costs and/or volumes of services and products utilized.

If, during the course of the year, Recipient foresees the need to substantially reduce or terminate its use of a certain service or consumption of a certain product, it shall promptly notify ServiceCo of the expected reduction or termination. ServiceCo shall promptly prepare a new term sheet under the affected Service Level Agreement and/or a special billing to reflect changes in cost caused by the reduction or termination. In the event Recipient disagrees with the new pricing and/or special billing, the dispute shall be resolved in accordance with Section IX of this Agreement.

If ServiceCo foresees the need to substantially alter the nature of or to terminate offering a certain service or product, or if pricing for a service or product must be significantly revised due to market conditions or unexpected increases in costs, ServiceCo shall promptly notify Recipient of the expected alteration, termination or increase in pricing. ServiceCo shall prepare a new term sheet under the affected Service Level Agreement and/or a special billing to reflect the costs or savings incurred due to the alteration or termination or the increase in costs ServiceCo

will incur. If Recipient disagrees with the new pricing and/or special billing, the dispute shall be resolved in accordance with the dispute resolution process under Section VIII of this Agreement.

VI. TAXES

Recipient shall bear all taxes, duties and other similar charges (and any related interest and penalties), imposed as a result of its receipt of services under this Agreement, including any tax which Recipient is required to withhold or deduct from payments to ServiceCo. ServiceCo may collect from Recipient any sales, use and similar taxes imposed on the provision of services and shall pay such tax to the appropriate governmental or taxing authority.

VII. BILLING

Charges will be rendered during the first week of each month covering amounts incurred during the prior month. Charges will be based on actual amounts paid. If allocations are required, they may be based on estimated values based on estimates in budget plans for the relevant values. Estimated amounts may be adjusted on subsequent charges either in a subsequent month or at the end of the year. Residual amounts will be cleared monthly based on the annual plan. Monthly charges are due upon receipt and will be paid automatically through the intercompany pay run.

ServiceCo's billing system will use the system of accounts prescribed under policies and procedures of CenterPoint, which shall be designed to comply with applicable regulatory requirements in the jurisdiction in which regulated Recipient operates. ServiceCo will support its charges with reasonable documentation (which may be maintained in electronic form). ServiceCo will make adjustments to charges as required to reflect the discovery of errors or omissions in the charges.

VIII. TERMINATION AND MODIFICATION

A. Modification of Services.

Recipient may modify its selection of services at any time during the fiscal year by giving ServiceCo written notice sixty (60) days in advance for the additional services it wishes to receive, and/or the services it no longer wishes to receive, from ServiceCo. ServiceCo will attempt to mitigate costs but the Recipient will be responsible for any remaining costs as a result of its modification of services.

B. Modification of Other Terms and Conditions.

No other amendment, change or modification of this Agreement shall be valid, unless made in writing and signed by all parties hereto.

C. Termination of this Agreement.

Recipient may terminate this Agreement with ServiceCo by providing sixty (60) days advance written notice of such termination to ServiceCo. ServiceCo may terminate this Agreement as to Recipient by providing sixty (60) days advance written notice of such termination to Recipient. ServiceCo will attempt to mitigate costs but the Recipient will be responsible for any remaining costs as a result of its termination of the Agreement.

This Agreement is subject to termination or modification at any time to the extent its performance may conflict with the provisions of applicable law or rules or regulation. This Agreement shall be subject to the approval of any state commission or other state regulatory body whose approval is, by the laws of said state, a legal prerequisite to the execution and delivery or the performance of this Agreement.

IX. DISPUTE RESOLUTION

From time to time, disputes may arise regarding the services and products provided by ServiceCo. The employees of Recipient and the employees of ServiceCo are encouraged to resolve those disputes on an informal basis in as timely a manner as possible, and ServiceCo agrees, upon reasonable request, to provide access to relevant books and records. However, if during the course of the year a dispute arises as to the scope of any service or the nature of any product, the delivery terms, the related performance metrics and standards, or the price for any service or product which cannot be resolved on an informal basis, Recipient and ServiceCo will resolve the dispute using the following procedures:

A. A supervisor or manager of Recipient who is responsible for the use of the service or the consumption of the product about which there is a dispute will notify in writing, or by email, a supervisor or manager of ServiceCo who is responsible for providing the service or product of the nature of the dispute, including specific examples of problems or failures which gave rise to the dispute. The supervisor or manager of Recipient shall also present a proposed resolution of the dispute and propose a date and time for a meeting to resolve the dispute. The supervisor or manager of ServiceCo shall acknowledge in writing, or by email, his or her receipt of the notice of the dispute and agree to the meeting, suggest an alternative date and time for the meeting proposed by the supervisor or manager of Recipient, or contact the supervisor or manager of Recipient to schedule a meeting date and time that the two may agree upon.

B. The supervisor or manager of Recipient and the supervisor or manager of ServiceCo may meet as often as both agree is necessary to resolve the complaint, and their meeting or meetings may include such other employees as may be helpful in resolving the dispute. If after such meeting or meetings, but in no event later than thirty days after the initial notice of the dispute was given, the supervisor or manager of Recipient and the supervisor or manager of ServiceCo are unable to resolve the dispute, the dispute shall be referred to the appropriate executive of Recipient and an executive of ServiceCo for resolution.

C. The executive of Recipient and the executive of ServiceCo shall meet at a date and time or dates and times they mutually agree upon. Such meetings or meetings may include any

employees either executive believes will be helpful in resolving the dispute. If, after such meeting or meetings, the executive of Recipient and the executive of ServiceCo reasonably believe they cannot resolve the dispute, the dispute shall be referred to the most senior executives of Recipient and of ServiceCo for resolution in accordance with whatever procedures senior management may establish.

X. NOTICE

Where written notice is required by this Agreement, said notice shall be deemed given when delivered in person, by electronic mail, or when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed, if to ServiceCo, to the Chief Accounting Officer and, if to Recipient, to its President at the address listed on the most recent Exhibit II received by ServiceCo.

XI. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to its conflict of laws provisions.

XII. ENTIRE AGREEMENT

This Agreement, together with its exhibits and any Service Level Agreements incorporated into this Agreement pursuant to Section II, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective parties hereof and thereto, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and cancelled in their entirety and of no further force or effect.

XIII. WAIVER

No waiver by any party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

XIV. ASSIGNMENT

This Agreement shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or any party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld, delayed or conditioned.

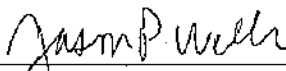
XV. SEVERABILITY

If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

By Recipient:

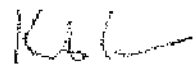
CENTERPOINT ENERGY
ELECTRIC OPERATIONS



Jason Wells
President and Chief Operating Officer

By ServiceCo:

CENTERPOINT ENERGY SERVICE
COMPANY, LLC



Kristie Colvin
Senior Vice President, Chief Accounting Officer

EXHIBIT I

COST ACCUMULATION AND ASSIGNMENT, ALLOCATION METHODS, AND DESCRIPTION OF SERVICES OFFERED BY SERVICECO TO RECIPIENT

This document sets forth the methodologies used to accumulate the costs of services that may be performed by ServiceCo and to assign or allocate such costs to other subsidiaries and business units within the CenterPoint registered holding company system that receive services from ServiceCo.

Cost of Services Performed

ServiceCo shall maintain an accounting system that enables costs to be identified by Cost Center, Account Number or Capital Project ("Account Codes"). The primary inputs to the accounting system shall be payroll records for ServiceCo's employees, accounts payable transactions and journal entries. Charges for labor shall be made at the employees' effective hourly rate, including the cost of pensions, other employee benefits and payroll taxes. To the extent practicable, costs of services shall be directly assigned to the applicable Account Codes. The full cost of providing services shall also include certain indirect costs, e.g., departmental overheads, administrative and general costs, and taxes. Indirect costs shall be associated with the services

performed in proportion to the directly assigned costs of the services or other relevant cost allocators.

Audit Services will conduct periodic reviews of ServiceCo's business processes and systems to ensure that the services provided are properly documented and charged to the CenterPoint Houston on an appropriate basis.

ServiceCo will review its costs for competitiveness periodically. Benchmarking and other measurement techniques will be used to the extent deemed appropriate by senior management. Results are available to CenterPoint Houston to evaluate cost effectiveness and assess alternate options.

Cost Assignment and Allocation

ServiceCo's costs shall be directly assigned, distributed or allocated to Recipient in the manner described below:

1. Costs accumulated in Cost Centers for services specifically performed for a single Recipient shall be directly assigned or charged to such Recipient (Direct Billed);
2. Costs accumulated in Cost Centers for services specifically performed for Recipient and CenterPoint or other CenterPoint subsidiaries shall be distributed among and charged to Recipient and the other entities that received such services using methods determined on a case-by-case basis consistent with the nature of the work performed and based on one of the allocation methods described below; and
3. Costs accumulated in Cost Centers for services of a general nature which are applicable to Recipient and CenterPoint or other CenterPoint subsidiaries or to a class or classes of entities that includes Recipient shall be allocated among or charged to Recipient and the other entities that received such services by application of one or more of the allocation methods described below.

Allocation Methods

The following methods shall be applied, as indicated in the Description of Services section that follows, to allocate costs for services of a general nature.

1. Operating Expense – A ratio based on operating expense minus fuel. This ratio initially will be determined based on the annual plan operating expense and will be adjusted for any known and reasonably quantifiable events throughout the year. The ratio will be adjusted at the beginning of each quarter based on actual operating expense for the year-to-date period and the plan for the remaining months.
2. Total Assets Ratio – A ratio based on the total assets minus investments in subsidiaries, goodwill, gas payables, short-term and long-term non-trading derivatives, short-term and long-term regulated liabilities, and stranded costs and other true-up related regulatory assets.

This ratio will be determined based on twelve month average of actual assets and will be adjusted for any known and reasonably quantifiable events at the beginning of each quarter.

3. Head Count – A ratio based on active and retiree headcount. This ratio will be determined annually based on annual plan head count and will be adjusted to actual and for any known and reasonably quantifiable events at the beginning of each quarter.

4. Direct Labor – This factor is determined based on the actual unit/hours utilized by Recipient. This factor will be determined annually based on unit/hours utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes. ServiceCo employees shall keep time records to support labor charged as described in the Service Company Cost Allocation Manuals to separately identify goods and services performed for CenterPoint Houston. Cost objects to which time entries relate will be identified in the timekeeping system, and costs associated with those time entries will be charged to the appropriate cost objects through SAP billings.

5. Client Unit Usage – This factor is determined based on the actual unit/usage utilized by Recipient. This factor will be determined annually based on units/usage utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes. Direct management oversight of client unit usage services will be allocated in proportion to the billings of those services.

6. Square Footage – This factor will be determined based on actual square footage used by Recipient. This factor will be determined annually based on square footage utilized at the end of the previous fiscal year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

7. Composite Ratio – This ratio will be determined annually based on gross margin, employees, and assets, and will be adjusted at the beginning of each quarter, following each individual method adjustment listed above and for any known and reasonably quantifiable events.

8. Cross Charges – The cost of services provided to functional areas within ServiceCo will be allocated to CenterPoint Houston in proportion to the billings of the functional areas being supported.

Description of Services

A description of each of the services performed by ServiceCo, which may be modified from time to time, is presented below. As discussed above, where identifiable, costs will be directly assigned or distributed to Recipient. For costs accumulated in Cost Centers which are for services of a general nature that cannot be directly assigned or distributed, the method or methods of allocation are also set forth. Substitution or changes may be made in the methods of allocation hereinafter specified, as may be appropriate.

1. Accounting Services

ServiceCo may provide various services to Recipient including corporate accounting and reporting, gas cost accounting, bank reconciliation and escheat processing/reporting, corporate tax, general ledger maintenance and all accounting record keeping, guidance regarding adoption and application of accounting policies, risk oversight and financial reporting for SEC, regulatory and other purposes, financial accounting system processes and support to rate and other regulatory proceedings. As appropriate and where it would not result in duplication of functions, each Recipient may also maintain its own corporate and accounting group and engage ServiceCo to provide advice and assistance on accounting matters, including the development of accounting practices, procedures and controls, the preparation and analysis of financial reports and the filing of financial reports with regulatory bodies, on a system-wide basis. Costs of a general nature may be allocated using the Operating Expense Ratio, Composite Ratio or Direct Billed.

2. Audit Services

ServiceCo may conduct periodic audits of administration and accounting processes. Audits would include examinations of Recipient's service agreements, accounting systems, source documents, allocation methods and billings to assure proper authorization and accounting for services. Costs of a general nature may be allocated using the Composite Ratio.

3. Finance

ServiceCo may provide various services to Recipient including budgeting, credit, risk control, treasury, risk management (insurance), strategic planning, financing, investments, money pool administration and cash management. ServiceCo also will provide investor relations services to provide information to the investment community regarding CenterPoint and its subsidiaries and will provide stock transfer agent services to holders of its securities. Services to associate companies will generally be allocated using the Total Assets Ratio, Operating Expense Ratio, Composite Ratio, or Direct Billed.

4. Legal

Legal Services

ServiceCo may provide various legal services, records management, administration of CenterPoint's corporate compliance program and general legal oversight, as well as corporate secretarial functions and filing of reports under securities laws for the benefit of Recipient. Costs of a general nature may be allocated using the Operating Expense Ratio, Composite Ratio, Head Count Ratio, or Direct Billed.

Environmental Services

Support internal clients with respect to compliance with local, state and federal regulations, tracking regulatory and legislative issues and evaluating impacts on Recipient's operations. Costs for Environmental Services are allocated on customer count and planned activity.

5. Regulatory & Government Affairs

Government Affairs

Government Affairs will develop strategy for legislative and other governmental initiatives and monitor activities affecting the Company in state and federal legislative arenas. Recipient may maintain individual Governmental Affairs units to support regional activities. Costs of a general nature may be allocated using the Total Asset Ratio, Composite Ratio, or Direct Billed.

Regulatory

Regulatory may provide support to Recipient in developing policy for regulatory strategy, and support for litigation and regulatory proceedings. Recipient may maintain individual Regulatory units to support regional activities. Costs of a general nature may be allocated using the Composite Ratio or Direct Billed.

6. Human Resources

Human Resources

ServiceCo may assist Recipient in developing policy and planning for total compensation plans, workforce planning and training, employee relations policies and programs, recruiting, and in training personnel in a coordinated manner throughout the CenterPoint system companies. It will also design and provide administration for corporate welfare and benefit plans, including pension plans and executive benefits, and support for the negotiation of labor contracts for the CenterPoint system companies. ServiceCo will provide corporate oversight for health and safety services for CenterPoint and its system companies to comply with government regulations. Each Recipient may maintain a human resources group to handle the individualized application of policies and programs. Costs of a general nature may be allocated using the Head Count Ratio. Costs of providing employee and executive benefits will be allocated directly to Recipient based on costs incurred for its employees and retirees, and any costs of a general nature which are not otherwise recovered, such as through payroll burden charges, may be allocated using the Head Count Ratio, Composite Ratio, or Direct Billed. Costs for Executive Benefits are reflected on the Other Corporate line on the Billing Summary page.

Safety & Technical Training

Provide oversight to support a culture of safety through education, expanded employee participation, and an increased emphasis on the safety of employees, contractors, systems and the public by unifying our enterprise safety and technical training practices. Costs for Safety & Technical Training are allocated using the Head Count Ratio.

Corporate Communications and Community Relations

ServiceCo will provide media relations support and various internal communications to its employees. They will facilitate meaningful relationships with local government and community entities. Costs of a general nature may be allocated using the Total Assets Ratio, Composite Ratio, Head Count Ratio, or Direct Billed.

Corporate Security

Provide physical security measures for the protection of personnel and assets, including security and security monitoring for managed properties, security assessments and internal investigations. Costs of providing security services will be directly charged to business units based on the actual services used.

7. Facilities Management

Facilities Management and Properties

Provide clients with general operating maintenance, administrative and management duties for building operations, including project management services for facility-related projects and furniture usage. Costs for Facilities Management not directly assignable are allocated based on the square footage utilized. Properties provides company with building operations, furniture and base rent services. The cost for services is allocated based on square footage utilized.

Office Support Services

Provide clients with copying, mailing, forms design functionality, and printing. This service also includes records management and managing office supplies, forms and assistance with Corporate Travel. Costs for Office Support Services are generally allocated based on client unit usage (e.g., number of forms, mail pieces, billable hours, direct dollars spent). These costs are allocated on a per unit charge that is determined by dividing (a) the total anticipated charges for providing this service to all customers during the year by (b) the estimated volume of items to be processed (e.g., number of pieces of mail handled, number of record boxes stored, direct dollar spend, etc.). Recipient will be billed based on the actual number of units used, with adjustments made for variances in total costs incurred or volume handled.

8. Executive

ServiceCo will provide the executive staff to provide executive management and governance for CenterPoint, including supplying personnel to serve on boards of directors of CenterPoint system companies, and will assist Recipient in formulating and executing general plans and policies, including operations, issuance of securities, appointment of executive personnel, budgets and financing plans, expansion of services, acquisitions and dispositions of property, public relations and other related matters. The executive staff will oversee any corporate aircraft, the costs of which will not be allocated to Recipient except in connection with direct costs of flights on behalf of a Recipient. Costs of a general nature may be allocated using the Composite Ratio or Direct Billed.

9. Information Technology

ServiceCo may provide Recipient with the following services: Enterprise Computing, Telecommunications, Technical Solutions, SAP Production Support, Technology Support services, Access Security and Project Services. Costs are billed to Recipient based on

various metrics (e.g., CPU second, billable hour, phone line, login ID) or cost allocations (e.g., headcount, operating expenses and direct dollars billed).

Enterprise Computing

Mainframe CPU
Infrastructure Storage
Unix Client Specific

Methodology

Client Unit Usage
Client Unit Usage
Client Unit Usage

Telecommunications

Telephony/VoIP Services
Voice Services – MAC

Methodology

Client Unit Usage
Client Unit Usage

Technical Solutions

Methodology: Client Unit Usage

SAP Production Support – Applications/Infrastructure

Methodology: Headcount and Operating Expense

Technology Support Services

Desktop Support Services
LAN Client Specific
Technology Service Desk
Multifunction Device Management

Methodology

Client Unit Usage
Client Unit Usage
Client Unit Usage
Client Unit Usage

10. Customer Operations

Customer Operations

Provide clients with call center support for handling customer billing, service requests, inquiries and complaints. It also includes the processing of claims, credit and collections, customer care, and marketing and sales services. Costs for Customer Services are generally allocated on unit usage (e.g. number of customers, call minutes).

Marketing Communications

ServiceCo may assist Recipient to develop and support branding and corporate promotions, advertising and brand equity. Individually, Recipient may maintain independent marketing personnel to handle the day-to-day details of marketing campaigns. Costs of a general nature may be allocated using the Total Assets Ratio, Composite Ratio, Head Count Ratio, or Direct Billed.

11. Financial Services

Provide check disbursements, OnePay compliance, electric billing, accounts payable, invoice scanning, and remittance processing services. Costs for Financial Services are

generally allocated based on client unit usage (e.g., number of payments processed, transactions, checks, billable hours). Costs of a general nature may be allocated using the Composite Ratio.

12. Purchasing and Logistics (P&L)

Purchasing & Logistics

Provide clients with procurement and investment recovery services. This service may also provide Recipient with oversight of logistics operations. Costs for purchasing and logistics are generally allocated based on client unit usage (e.g., number of transactions, billable hours, or managed dollars.).

Fleet Services

Provide clients with management, administration and support of all vehicles, motorized equipment and fleet inventory including purchasing, fuel, maintenance and disposal activities. Costs are assigned based on the total fleet dollars managed.

P&L Administration

Provide company with P&L administrative oversight and general activities and costs associated with the identifying, creating, and maintaining common processes between Strategic Business Units and internal Partners. Costs are assigned based on operating expense (less fuel).

13. Continuous Improvement

Provides guidance and expertise in a consistent methodology, called Lean, that every business unit and department can utilize. CI partners works with the business to eliminate the human struggle by focusing on the process to improve operational efficiencies. Costs for CI projects will be directly charged to business units based on the actual services used.

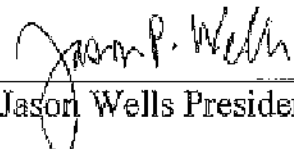
EXHIBIT II

AGREED UPON SERVICES TO BE RECEIVED FROM SERVICECO

SERVICES	YES	NO
1. Accounting Services	<u>X</u>	_____
2. Audit Services	<u>X</u>	_____
3. Finance	<u>X</u>	_____
4. Legal		
i. Legal Services	<u>X</u>	_____
ii. Government Affairs	<u>X</u>	_____
iii. Regulatory	<u>X</u>	_____
iv. Environmental	<u>X</u>	_____
5. Human Resources		
i. Human Resources	<u>X</u>	_____
ii. Corporate Communications & Community Relations	<u>X</u>	_____
iii. Safety/Training	<u>X</u>	_____
6. Executive	<u>X</u>	_____
7. Information Technology	<u>X</u>	_____
8. Customer Operations		
i. Customer Operations	<u>X</u>	_____
ii. Environmental Services	<u>X</u>	_____
iii. Safety & Technical Training	<u>X</u>	_____
iv. Marketing Communications	<u>X</u>	_____
9. Financial Services	<u>X</u>	_____
10. Facility Management & Properties		
i. Facilities Management & Properties	<u>X</u>	_____
ii. Security	<u>X</u>	_____
iii. Office Services	<u>X</u>	_____
11. Purchasing and Logistics		
i. Purchasing & Logistics	<u>X</u>	_____
ii. Fleet Services	<u>X</u>	_____
iii. P&L Administration	<u>X</u>	_____
12. Continuous Improvement	<u>X</u>	_____

By Recipient:

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC



Jason Wells President and Chief Operating Officer

Address



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Corp Communications,
Community Relations, Marketing &
Security
Location: Houston
Center: Marketing
Service: Marketing

Business Unit Information

Business Unit: Houston Electric

Scope of Service

Marketing is responsible for the development and execution of the company's brand and customer communication strategies. These integrated and data-driven campaigns build and enhance the company's brand, attract and retain customers, promote public safety, promote energy efficiency and conservation efforts, and deepen customer emotional attachment and brand trust. These marketing and communication strategies support multiple company businesses, geographies and product lines and include both B2B and B2C communications. Marketing collaborates with executive and senior business unit leadership in strategy development and manages the company's entire portfolio of traditional and digital communication and engagement channels, including advertising, e-mail, Web, social media, print and sport sponsorships. In addition to managing the company's in-house customer communications team, the department also oversees management of the company's digital, advertising and direct communication agency partners. Finally, the department provides visual design and channel support for communication initiatives directed to other audiences and led by other organizations including HR, Corporate Communications and Community Relations.

Responsibilities

Service Provider:

Marketing will work with clients to identify their needs and implement timely, cost-effective solutions.

Business Unit:

Clients will provide information and resources in a timely manner as agreed upon in project communication plans to allow Marketing to meet obligations for execution of strategies and communication plans.

Performance Standards:

Marketing will meet mutually agreed-upon objectives as documented in project plans.

Pricing Methodology:

Direct charges are tracked and charged directly to the applicable business unit. Governance costs are allocated based on Customer Count.

Service Cost Drivers:

Discretionary Corporate and Business Unit (BU) project costs are determined by project requirements. Cost variables include volume, frequency and medium. Discretionary costs can be controlled by:

- * Adopting communication plans to manage projects effectively and efficiently
- * Using in-house versus outsourced resources for design, production and distribution when possible
- * Leveraging existing materials, designs, templates etc., in lieu of customized materials when possible
- * Reducing the quantity of printed materials
- * Using black and white versus color print materials
- * Reducing the frequency of distribution of print materials
- * Cost-effective use of face-to-face communication, teleconference and streaming video.
- * Using paperless electronic media (e-mail, Web) versus printed materials
- * Using the most cost-effective advertising media channel mix integrated with all company campaigns.

Service Provider Initiatives:

Marketing initiatives enhance the effectiveness of CenterPoint Energy's business plans. Corporate initiatives are programs and activities undertaken on behalf of all of CenterPoint Energy. The costs for these programs are approved by the Executive Committee and allocated to the Business Units. Examples include marketing communication asset materials, such as broadcast, print, electronic and digital executions.

Business Unit Initiatives are programs and activities undertaken on behalf of one or several Business Units. These programs are approved by the Business Units, and costs are billed either directly to the Business Units or paid out of business unit cost centers.



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Corp Communications,
Community Relations, Marketing &
Security
Location: Houston
Center: Corporate Security
Service: Security Services

Business Unit Information

Business Unit: Houston Electric

Scope of Service

Corporate Security provides services necessary to plan and implement security measures for the protection of personnel and assets. These services include:
Coordination of the installation and maintenance of electronic security systems in all business units, with special attention to critical infrastructure facilities
24/7 Toll-free security telephone number
24/7 Monitoring of security alarms, gates and card access systems
Confidential security investigations
Coordination of DHS/NERC Security Clearances
Represent the company's security interests with external groups such as NERC, EEI, AGA
Liaison with law enforcement agencies pertaining to criminal matters
Security presentations and training
Security assessments

Responsibilities

Service Provider:

Provide required services in a timely and cost-effective manner using CNP security staff and/or external contractors.

Business Unit:

Contact Corporate Security to request or change security services.

Performance Standards:

KEY METRIC

Budget Performance: Corporate Security will manage within the 2023 budget.

Security Costs per Customer: Corporate Security will deliver security services at a cost that will be periodically market tested to ensure best costs per service

Pricing Methodology:

SERVICE BILLINGS

The Client Billing Plan reflects cost transfer pricing for the following:

Security services are billed on the actual number of hours security personnel provide to each client.
The rate is determined by the number of hours to be billed divided into the estimated plan.

Monitoring services are billed on the actual number of devices monitored. The rate is determined by the number of devices monitored divided into the estimated plan. Residual amounts are cleared monthly by planned activities.

Service Cost Drivers:

Increase in national security threat levels.
Regulatory requirements.
Client requests to support projects.

Service Provider Initiatives:

Process Improvement Reviews



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Corp Communications,
Community Relations, Marketing &
Security
Location: Houston
Center: Corporate Communications
Service: Corporate Communications

Business Unit Information

Business Unit: Houston Electric

Scope of Service

Communications connects CenterPoint Energy with stakeholders (media, employees, contractors, , non-profit organizations, and community leaders) through effective communications that achieve business objectives and shape of the brand, image and reputation of CenterPoint Energy.

Communications services include:

- *Strategic Communications Planning, Management and Measurement
- *Internal and HR Communications
- *Business and Function Communications
- *Financial Communications
- *Executive/Leadership Communications
- *Safety Communications
- *Crisis Communications Planning and Support
- *EOP
- *Media Relations
- *Video Production
- *Events
- * Digital Communications (Internal App)
- * Charitable Giving
- * Volunteerism
- * CNP Foundation

Responsibilities

Service Provider:

Communications will work with clients to identify communication needs and implement timely, cost-effective solutions.

Business Unit:

Clients will provide information and resources in a timely manner as agreed upon in project communication plans to allow Communications to meet obligations for execution of communication plans.

Performance Standards:

Communications will meet mutually agreed-upon objectives as documented in project communication plans.

Pricing Methodology:

Direct charges are tracked and charged directly to the applicable business unit. Governance costs are allocated based on composite ratio, other costs are allocated by headcount or asset values.

Service Cost Drivers:

Discretionary Corporate and Business Unit (BU) project costs are determined by project requirements. Cost variables include volume, frequency and medium. Discretionary costs can be controlled by:

- * Adopting communication plans to manage projects effectively and efficiently
- * Leveraging existing materials, designs, templates etc., in lieu of customized materials when possible
- * Reducing the frequency of distribution of print materials

Service Provider Initiatives:

Communications initiatives enhance the effectiveness of CenterPoint Energy's business plans. Corporate initiatives are programs and activities undertaken on behalf of all of CNP. The costs for these programs are approved by the Executive Committee and allocated to the Business Units. Examples include Company intranet and the annual report.

Business Unit Initiatives are programs and activities undertaken on behalf of one or several Business Units. These programs are approved by the Business Units, and costs are billed either directly to the Business Units or paid out of business unit cost centers. An example is rate case communications.

Corporate Initiatives:

- *Media Relations
- *Internal and HR Communications
- *Annual report in 10-K wrap format
- Corporate Responsibility Report

Houston Electric Initiatives:

- *Electric safety communications
- *Expand vegetation management programs (Right Tree, Right Place)
- *Demonstrate Electric Operations readiness for hurricane/disaster
- *Support rate filings and initiatives to build new infrastructure
- *Promote Intelligent Grid gains, PSA and other customer beneficial investments and tools



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Corp Communications,
Community Relations, Marketing &
Security
Location: Houston
Center: Corporate Community Relations
Service: Corporate Community Relations

Business Unit Information

Business Unit: Houston Electric

Scope of Service

Community Relations initiatives encompass three main objectives:

- Building relationships with the communities we serve and reaching out to our customers as a caring neighbor;
- Showing our commitment through corporate sponsorship of community events and financial contributions to charities, civic organizations, educational programs, community/economic development and environmental initiatives; and
- Actively promoting volunteer service among our employees/retirees and demonstrating as a team that we make a difference

Through our outreach efforts, we lend support to educational, civic, social and environmental initiatives that enhance the quality of life for our customers and the community as a whole. In the true spirit of diversity, we work with groups from many different backgrounds, tailoring our relationships and or assistance to meet their needs whenever possible.

Responsibilities

Service Provider:

Community Relations will work with business unit leaders and community leaders to build relationships and accomplish strategic goals for the purpose of meeting their business unit, corporate and community objectives.

Business Unit:

Business units will collaborate with Community Relations liaisons to achieve their strategic business plan as it relates to Corporate Citizenship and employee leadership development.

Performance Standards:

Community Relations will maintain accurate records of project achievements to include:

- *Strategic Charitable Contributions, Grants and fundraising results
- *Volunteer Participation
- *Community Events
- *Safety & Education Presentations

Pricing Methodology:

Direct costs are tracked and billed directly to the business units. Residual dollars are cleared monthly using the proportions of the planned billable hours to the business units.

Service Cost Drivers:

Discretionary Community Relations and Business Unit project costs are determined by project requirements. Cost variables can be controlled by:

- *Strategic selection of donations and amounts
- *Planning and executing outreach projects
- *Seeking competitive pricing of required materials
- *Participating in the Volunteer Rewards Program
- *Creating collaborative partnerships to share expenses

Service Provider Initiatives:

Community Relations initiatives strengthen CNP's corporate position in the community and earn the respect of community stakeholders as we demonstrate being a good business partner and corporate citizen. Community Relations leverages our partnerships by working with community leaders, other non-profits, and by utilizing our employees through volunteer opportunities and board service. We leverage our human capital.



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Customer Experience
Location: Houston
Center: Customer Experience
Service: Billing - Insert Operations

Business Unit Information

Business Unit: Houston Electric

Scope of Service

- * Insert and mail high volume mailings using high speed inserting equipment.
- * Order and stock envelopes.
- * Obtain/maintain lowest applicable postage rate for mailings.
- * Meet all U.S. Postal Service preparation requirements for high volume mailers.
- * Maintain documentation required to support high volume mailings for Postal discount.
- * Provide consultation on Company and U.S. Postal Service requirements for mailings.
- * Provide presort vendor and USPS postage account reconciliations and replenish postage accounts.
- * Maintain and coordinate disaster recovery contract with 3rd party vendor.
- * Contingency: If equipment failure causes delays and backlogs, Insert Operations will make a reasonable effort to eliminate the backlog as quickly as possible by expanded hours of operations to include weekends and/or use 3rd party vendor as needed.

Responsibilities

Service Provider:

- * Meet all US Postal Service preparation requirements for Postal discounts.
- * Comply with negotiated mail schedule.

Business Unit:

- * Consult with provider for guidance on creating inserts within specifications for machinability.
- * Provide 100% of inserts by the negotiated delivery date to ensure same day mailing.
- * Notify provider as soon as possible of anticipated delays in bill processing.

Performance Standards:

Measures:

- * Each special mailing will be completed based on negotiated mailing schedule.
- * Documentation identifying volume, mail date, and postage cost will be maintained.
- * If the negotiated print schedule is not met, no assurance is made for meeting the mailing schedule.
- * Operate within the approved budget, subject to changes in scope by client.

Variation:

- * Special mailings not associated with customer bills will be negotiated.

Pricing Methodology:

Service Billing Calculation Method: Total operations budget divided by estimated number of bills/letters to be mailed.

Billing method: Rate multiplied by actual mailings for appropriate clients. Billed monthly at actual usage.

Direct Client Incurred:

Third party costs for postage, envelopes, statements and inserts will be paid directly by the business unit or charged to the Business Unit.

Residual amounts are cleared monthly by planned activities.

Service Cost Drivers:

Service Provider Initiatives:

* Remain abreast of USPS regulations/requirements for mail preparation that will allow for the highest postage discount from the USPS.

* Ongoing cross-training of personnel.



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Customer Experience
Location: Houston
Center: Customer Experience
Service: Billing - Print Output Management

Business Unit Information

Business Unit: Houston Electric

Scope of Service

-Print disconnect and power outage notices.
-White paper print jobs printed and packaged for delivery by next business day, provided output is queued by 12:00 a.m.

Responsibilities

Service Provider:

-Notices will be delivered to Insert Operations for delivery to Post Office

Business Unit:

-Notices will be processed and queued to Print Output Management by 12:00 a.m.

Performance Standards:

* Operate within the approved budget, subject to changes in scope by client.
* Track Cost of Print and Mail expense per customer.
* Provided output is queued by 12:00 a.m., white paper will be printed and packaged for delivery by next business day.

Pricing Methodology:

* Service Billing Calculation Method: 5% of total operations budget divided by estimated billable hour.

*Billing method: Rate multiplied by number of hours used/actual pages printed by appropriate client. Billed monthly at actual usage.

*Direct Client Incurred: Third party costs for notices and white paper will be charged directly to the business unit IO.

*Residual amounts cleared monthly based on planned activities.

Service Cost Drivers:

Service Provider Initiatives:



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Customer Experience
Location: Houston
Center: Customer Experience
Service: Contact Center

Business Unit Information

Business Unit: Houston Electric

Scope of Service

Scope of Service:

The Customer Service Contact Center is the primary channel by which electric customers (both end-use customers and Competitive Retail electricity providers) initiate service requests and report outages or emergencies. Customer Service provides 24-hour staffing seven days a week.

Responsibilities

Service Provider:

The Contact Center is responsible for the front-line communication with our customers. The primary means of communication with most customers is by telephone. Web-based applications are also utilized to allow customers 24/7 electronic access to specific information and transactions. The Contact Center provides full services from 7:00am to 7:00pm Monday through Friday, however customer service advisors are available 24 hours a day, 7 days a week to receive emergency calls. An automated interactive voice response unit is also available 24/7 to handle certain types of calls. The Contact Center will utilize the interactive voice response unit to handle various transactions. Customer Service will provide the following:

- Adequate staffing levels to meet call volume demands
- Training and Quality Assurance teams to provide initial and ongoing training to Contact Center personnel. The group is also responsible for monitoring and evaluating customer calls to identify coaching and development opportunities for customer service advisors and assure business rules and processes are followed.
- The Workforce Management teams are responsible for optimizing the productivity and staffing of the Contact Center operation through critical call volume and staffing forecasting reports, finding cost-effective solutions to customer needs and expectations.
- Could supplement Contact Center staffing with a third party vendor and/or Automated Technology Tool to handle certain call types and utilize as a resource in the business continuance plan.

The following types of calls are handled by the Contact Center to resolve customer requests and inquiries:

- Request or check the status of various service orders
- Request remove meter, customer meter and lockband removal and install
- Report emergencies
- Request meter reading and usage information on customer bills
- Inquiries concerning meter reads
- Discuss construction requirements

Business Unit:

Houston Electric Operations should maintain an open line of communication with the Contact Center to exchange pertinent information on field practices and/or events which may impact predefined expectations relayed to customers by Contact Center service advisors.

Performance Standards:

- Operate within the approved budget
- Service Level Measurements include: Average Speed of Answer, Call Handling Time, and Quality Assurance process to measure both technical and interpersonal Skill Levels of Contact Center personnel

Pricing Methodology:

While our Contact Center handles calls from both gas and electric utility customers, we are able to track electrical and gas call volumes and directly assign costs to each utility.

Service Cost Drivers:

- Increases or decreases in call volumes will affect costs
- Internally mandated service levels
- Average handle time

Service Provider Initiatives:

- Provide staffing to handle incoming calls impacting other Business Unit operations
- Provide training to update our staff on Business Unit operation practices/changes
- Provide training to update other Business Units on Contact Center practices and procedures



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Customer Experience
Location: Minnesota
Center: Customer Experience
Service: Contact Center

Business Unit Information

Business Unit: Houston Electric

Scope of Service

Scope of Service:

The Customer Service Contact Center is the primary channel by which electric customers (both end-use customers and Competitive Retail electricity providers) initiate service requests and report outages or emergencies. Customer Service provides 24-hour staffing seven days a week.

Responsibilities

Service Provider:

The Contact Center is responsible for the front-line communication with our customers. The primary means of communication with most customers is by telephone. Web-based applications are also utilized to allow customers 24/7 electronic access to specific information and transactions. The Contact Center provides full services from 7:00am to 7:00pm Monday through Friday, however customer service advisors are available 24 hours a day, 7 days a week to receive emergency calls. An automated interactive voice response unit is also available 24/7 to handle certain types of calls. The Contact Center will utilize the interactive voice response unit to handle various transactions. Customer Service will provide the following:

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- Average handle time

Service Provider Initiatives:

- Provide staffing to handle incoming calls impacting other Business Unit operations
- Provide training to update our staff on Business Unit operation practices/changes
- Provide training to update other Business Units on Contact Center practices and procedures



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Facilities Management
Location: Houston
Center: Office Support Services
Service: Mail Services

Business Unit Information

Business Unit: Houston Electric

Scope of Service

- * Pick-up and delivery of all Interoffice Mail, U.S. Mail, Certified Mail and Overnight Mail (FedEx, UPS) for all company locations
- * Mail metering
- * Obtain and maintain PO boxes and postal permits
- * Consulting on Company and U. S. Postal Service (USPS) processes and requirements
- * Shipping of company parcels upon request utilizing lowest cost provider (FedEx, UPS)

Responsibilities

Service Provider:

- * 2 deliveries and pickups daily in the CenterPoint Tower (CNP-T), and to the designated centrally located stations/mail stops at or around 10:30 a.m. and 2:30 p.m.
- * 2 daily desktop deliveries and pickups to executives (vice presidents and above) at or around 10:30 a.m. and 2:30 p.m.
- * Manage relationships with USPS, including payment processing for postage, post office boxes and permits
- * Desktop deliveries of overnight parcels (i.e., UPS and FedEx) within CNP-T
- * Process unidentified mail daily that must be opened and reviewed
- * Provide daily packaging and overnight delivery service to designated service locations
- * Provide daily delivery and pickup service to designated Houston locations (CNP-T, Chase Bank, General Post Office (GPO), and Energy Control / Data Center (ECDC).
- * Provide daily pickup and delivery service to designated Houston Metro/Southeast Texas service area locations
- * Provide daily collection, sorting and packaging service to designated National locations
- * Provide invoice/report that identifies usage according to each Business Unit (BU)
- * Provide best postage rates available for all business mail

Business Unit:

- * Provide properly addressed mail for the Mail Center to process: Interoffice mail should be clearly legible, showing the first and last name of the recipient and correct interoffice location and floor
- * All US mail to be metered should be correctly addressed with zip code and have the charge back department code attached to it or written on the envelope flap
- * All hand-written overnight (UPS, FedEx) shipping air bills should have correct charge back information clearly printed on it before it is processed for delivery
- * Contact the Mail Center at least 48 hours in advance for mailings that are larger than 1000 pieces
- * Contact the Mail Center when designing mail pieces for company mailings to ensure that the best postage price available can be obtained

- * All outgoing mail and parcels must be in the Mail Center by 3 pm for same day processing
- * Consult on large freight shipments/Best shipping practices

Performance Standards:

- * 95% of all overnight letters and packages will be delivered the same day within CNP-T
 - * Operate within the approved budget, subject to changes in scope by client
- Variation:
- * Pick-up and delivery of interoffice and USPS mail for CNP-T twice daily
 - * The standard for all other locations will be at least one pick-up and delivery daily
 - * Mail and Package Delivery Services may be delayed during the Holidays and extreme weather events
 - * Mail delivery to off-site Houston Metro area facilities may be delayed due to traffic and/or extreme weather conditions
 - * Special arrangements for urgent deliveries may be negotiated
 - * Desktop delivery for packages and letters shall be signed by receiving individual, (addressee), unless other arrangements have been negotiated

Pricing Methodology:

Service Billing:

- * Mail Piece Calculation Method: Mail Services' total operations budget divided by the total estimated annual number of mail pieces equals cost per piece, which is then multiplied by the actual number of mail pieces by specific client each month and billed to them. Any over/under cost recovery each month is allocated to clients in proportion to their annual planned Mail Services billings.
- * Direct Client Incurred: Third party cost for postage, courier and mail box rental costs will be paid directly by the appropriate business unit.

Service Cost Drivers:

Potential for additional overtime will occur when:

- * Mail is illegibly, inaccurately, or improperly addressed
- * Personal mail is being delivered to the Company address
- * Mail is addressed to Company street location instead of P.O. Box.
- * Urgent deliveries

Service Provider Initiatives:



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Facilities Management
Location: Houston
Center: Facilities Management
Service: Wellness Center

Business Unit Information

Business Unit: Houston Electric

Scope of Service

To maintain a fitness facility and a recreation area.

Responsibilities

Service Provider:

To maintain the Wellness Center facility.

Business Unit:

Use of the facility by the client employees in an appropriate manner.

Performance Standards:

Pricing Methodology:

All costs are allocated to SBU's with employees in the CNP Tower based on number of employees in the SBU (actives). Costs are partially offset by employee dues.

Service Cost Drivers:

Cost drivers include:

- * Utilization of and membership in the Wellness Center facility

Service Provider Initiatives:

- * Membership education



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Facilities Management
Location: Houston
Center: Office Support Services
Service: Copy Center

Business Unit Information

Business Unit: Houston Electric

Scope of Service

Manage and coordinate reprographic requests with vendor to include items such as:

- * High Speed Duplicating
- * Color Copying
- * Full Bindery/Finishing
- * Client consulting and support on document preparation and printing requirements
- * Network Publishing
- * Engineering Reproduction

Responsibilities

Service Provider:

- * Monitor reprographic services
- * Monitor accounting and billing of vendor for services provided
- * Conduct site visits at least twice a month

Business Unit:

Provide complete and accurate information on Job Request Form. Copies over 50,000 should be negotiated with Service Provider.

Performance Standards:

Measures:

1. Meet 95% of negotiated due dates
2. Turnaround times for black and white copies are:
 - * 250 to 4,000 - 1 day
 - * 4,001 to 10,000 - 2 days
 - * 10,001 to 50,000 - 3 days
3. Operate within the approved budget, subject to changes in scope by client.

Pricing Methodology:

Service Billing calculation method: Total allocated budget multiplied by business unit's previous year's actual usage percentage.

Billing method: Rate multiplied by usage. Billed monthly at 1/12 of the total cost to appropriate client.

Direct Client Incurred: Vendor invoices charged to Client IO based on actual usage.

Service Cost Drivers:

Potential for additional cost will occur when:

- * Non-standard materials are requested
- * Changes in scope are requested
- * Incomplete documents are submitted
- * Jobs greater than 100 copies
- * Use of non-contract vendor

Cost may be reduced by using standard material and ensuring the document request form is complete.

Service Provider Initiatives:

- * Capture as much large volume work from local printers and convenience copiers as possible
- * Copy Center vendor Quality Checking Process, 2-point quality check applies to all copy center projects



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Facilities Management
Location: Houston
Center: Facilities Management
Service: Building Operations

Business Unit Information

Business Unit: Houston Electric

Scope of Service

Facilities Management Operations Division will provide building operations services at general locations such as service centers and outlying Houston area complexes as described below:

- Building exterior and interior repairs and maintenance
- Building systems repairs & maintenance
- Site repairs & maintenance such as fencing and paving
- Operational needs such as grounds keeping, janitorial services, pest control, ice machine maintenance and other tenant services
- Electricity Management (procurement leadership, budget/usage monitoring & analysis, account management, billing reconciliations)
- Water & sewer
- Assist Facilities Project Management Division with employee relocations & moves
- Assist Facilities Project Management Division with projects, including furniture

Responsibilities

Service Provider:

Business Unit:

Performance Standards:

KEY METRIC

- Operate within the approved budget, subject to changes in scope by client.

Pricing Methodology:

Building Operations services at client locations such as service centers consist of three components:

1. The first component is the direct client incurred costs associated with each vendor providing services, which are coded directly to client cost objects.
2. The second component is the Facilities Operations service billing in support of each location. Facilities Operations costs are billed according to the total square footage of each location.
3. To facilitate regulatory auditing, the cost of Facilities' management oversight will load follow the total dollars billed to client.

Service Cost Drivers:

- Frequencies of services requested
- Requests for out-of-scope services (i.e., employee relocations, support of Facilities Project Management on projects, extra janitorial services, etc.)
- Requesting work outside of normal business hours of operation (after-hours, weekends, holidays)
- Employee vandalism or carelessness
- Requests that increase utility usage

Service Provider Initiatives:

- Continue to achieve the most cost-effective services available while maintaining levels of services requested by clients.
- Manage quality of outsourced services through use of quality control audits.



CenterPoint Energy Service Company, LLC
Service Level Agreement
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Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Facilities Management
Location: Houston
Center: Office Support Services
Service: Forms Design & Management

Business Unit Information

Business Unit: Houston Electric

Scope of Service

- * Provide forms design and analysis for new, revised forms, electronic, and paper formats for CenterPoint Energy
- * Manage and maintain printed forms inventory levels
- * Manage Print On Request (POR) form orders .

Responsibilities

Service Provider:

- * Design new forms or revise existing forms
- * Partner with Business Units to provide forms design and analysis
- * Manage production and distribution of printed forms
- * Work with Procurement Department to negotiate & maintain contracts with forms and envelope vendors
- * Maintain an on-time completion rate within the terms of this agreement
- * Destruction of unused and out of date inventory .

Business Unit:

- * Complete Forms Request CNP 446 for new and revised forms
- * Provide sufficient lead-time to allow for design, proofing/approval and production
- * Assign a principal contact that will be the primary contact for duration of a project, including project management, product delivery, quality assurance and problem resolution
- * Provide timely approval of proofs. Any additional costs associated with rush printing or production to meet Business Unit's driven deadlines will be charge accordingly

Performance Standards:

Measures:

- * Meet 95% negotiated due dates for forms analysis and design
- * Business Unit and Forms Design/Management to establish production schedules. Should project scope change to the extent that production schedules cannot be met, delivery dates will be subject to renegotiations
- * Maintain inventory levels to ensure availability of all warehoused forms, by form title or number, 95% of the time
- * POR (print on request) forms will be produced within 10 working days after an approved CNP446 request has been received
- * Operate within the approved budget, subject to changes in scope by Business Unit

* Standard delivery schedule is to provide Business Unit with a proof within 7-10 business days
Variation:

* Some custom envelope, tag and decal forms may require more than 14 business days for processing

* Unless otherwise agreed to, the Business Unit will be billed for all authorized outside purchases and services

* Experimental or preliminary work authorized will be billed to the Business Unit

Pricing Methodology:

Service Billing Calculation Method: Total operations budget divided by total number of forms or estimated billable hours.

Billing method: Rate multiplied by number of forms owned or hours used by appropriate Business Unit. Billed monthly at 1/12 of the total cost to appropriate Business Unit. Rush jobs priced incrementally at a higher rate if needed.

Service Cost Drivers:

Rush work may require overtime or outsourcing and will add additional cost. Rush work required for printing will be charged directly to the Business Unit.

Service Provider Initiatives:

* Provide electronic forms support for SAP

* Lead the forms standardization and consolidation effort among all company Business Units

* Continue to maintain standards for printed from conversion to the Intranet (Web PowerForms)

* Provide support for forms ordering via Intranet

* Perform a biannual physical inventory and needs analysis

* Provide batch ordering of forms to achieve maximum printing cost savings

* Conduct performance/production reporting for contractors



CenterPoint Energy Service Company, LLC
Service Level Agreement
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Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Facilities Management
Location: Houston
Center: Office Support Services
Service: Corporate Travel

Business Unit Information

Business Unit: Houston Electric

Scope of Service

This service provides management oversight and direction to the third party suppliers that provide Corporate Travel Services for CenterPoint Energy travelers. Additionally, any internally incurred CenterPoint Energy support costs, including facilities and certain infrastructure support, required to operate Corporate Travel or to support meeting planning services are included in this service. The service includes travel policy interpretation and direction; strategic direction; and liaison support between CenterPoint Energy and all travel-related vendors and external travel organizations.

The services offered by the suppliers (under separate vendor billing) include but are not limited to:

- * Air, hotel, auto rental, and limousine rental arrangements in accordance with CenterPoint Energy's General Expense and Reimbursement Policy.
- * Assistance with offsite event and meeting planning services.
- * Participation in recruiting arrangements and new hire travel orientation.
- * Participation in CenterPoint Energy's Emergency Operations Plans.
- * Vendor issue resolution and contract negotiation assistance.

Responsibilities

Service Provider:

The Corporate Travel office will provide management and oversight of all aspects of CenterPoint Energy travel operations including, but not limited to:

- * Negotiation and contract compliance activities for all travel related contracts/agreements (such as the TMC, air, car, and hotel).
- * Administration of travel tools in the OnePay system.
- * Travel policy direction, interpretation and compliance determination for the travel sections of the CenterPoint Energy General Expense and Reimbursement Policy.
- * Coordination and support for company-wide group and meetings activities.
- * Identification and monitoring of reporting and controls.
- * Performance monitoring and reviews with TMC management.
- * Identification of emerging opportunities and issues in corporate travel.
- * Traveler problem and issue resolution.
- * Ease of use of TMC travel service fulfillment for CenterPoint Energy as necessary.

Business Unit:

Each business unit has the primary responsibility to ensure their travelers are in compliance with the CenterPoint Energy General Expense and Reimbursement Policy which describes the travel requirements. Failure of the business units to consistently follow policy results in a degradation in the ability of the TMC and CenterPoint Energy Corporate Travel to provide appropriate travel services and could increase cost of travel to CenterPoint Energy.

Performance Standards:

Pricing Methodology:

The suppliers render monthly invoices using contracted unit costs to CenterPoint Energy (CNP) for operating costs which are assigned to CNP business units/functional areas based on actual monthly transaction volume for the travel reservation and meeting planning processes. Specific expenses may also be assigned directly to the individual meeting or event by the supplier. Invoices rendered will normally be based on the transaction period 60 days prior (i.e. invoice in March for January transactions). Internal costs for CenterPoint Energy management oversight and other travel-related costs are based on the annual plan for travel office expenses and are assigned directly to the business unit/functional area (client).

Service Cost Drivers:

Options available for clients to control travel costs include:

- * Routine use of the online booking tool in OnePay.
- * Taking advantage of discounts negotiated by Corporate Travel.
- * Utilizing CenterPoint Energy Preferred Vendors.
- * Purchasing tickets 7-days or more in advance.
- * Monitoring periodic Travel Reports.

Service Provider Initiatives:

- * Actively negotiate discounted international and domestic air fares; hotel rates; car rental costs; and other routine travel related costs.
- * Enhance ad hoc and on-line travel reporting capabilities.



CenterPoint Energy Service Company, LLC
Service Level Agreement
The best source of business services for CenterPoint Energy clients.

Year: 2023

Service Provider Information

Company: CenterPoint Energy Service Co LLC
Organization: CNP Facilities Management
Location: Houston
Center: Facilities Management
Service: Facilities Project Management

Business Unit Information

Business Unit: Houston Electric

Scope of Service

Facilities Project Management will provide the following building design and construction management services:

- * Project scope development
- * Cost and schedule estimation
- * Design and engineering services
- * Generation of contract documents
- * Construction management services
- * Furnishings selection and purchase
- * Manage relocation of furnishings and employees
- * Quality control services
- * Cost tracking and reporting services
- * Real estate services

Responsibilities

Service Provider:

Provide services which result in facilities projects that:

- * Meet client functional requirements,
- * Are delivered within time and budget constraints, subject to changes in scope by client,
- * That are in compliance with applicable building codes and regulations.

Business Unit:

Provide complete and accurate information concerning:

- * Functional requirements,
- * Budget and time constraints.

Performance Standards:

KEY METRIC

- * Actual project cost as a % of Planned (or Budgeted) cost.
- * Operate within the approved budget, subject to changes in scope by client.

Pricing Methodology:

Facilities Project Management services consist of three components:

1. The first component is the client direct incurred cost associated with each project, which is coded directly to client cost objects.