



## **Filing Receipt**

**Filing Date - 2024-06-26 11:12:17 AM**

**Control Number - 56211**

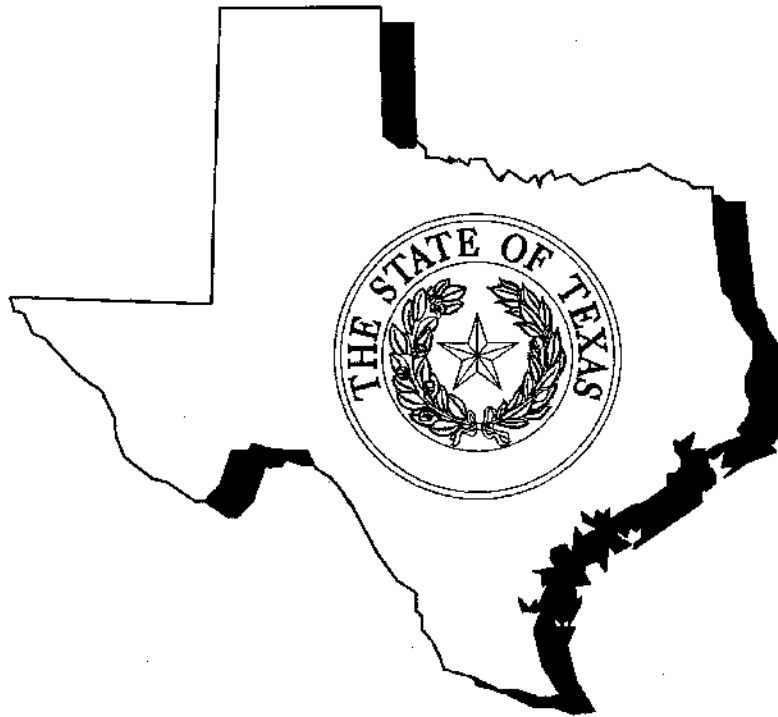
**Item Number - 394**

**SOAH DOCKET NO. 473-24-13232**  
**PUC DOCKET NO. 56211**

# APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR AUTHORITY TO CHANGE RATES

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**BEFORE THE STATE OFFICE  
OF  
ADMINISTRATIVE HEARINGS**



**DIRECT TESTIMONY OF RUTH STARK**  
**RATE REGULATION DIVISION**  
**PUBLIC UTILITY COMMISSION OF TEXAS**

**JUNE 26, 2024**

## TABLE OF CONTENTS

|    |                                                              |           |
|----|--------------------------------------------------------------|-----------|
| 1  | <b>I. QUALIFICATIONS .....</b>                               | <b>1</b>  |
| 2  | <b>II. PURPOSE AND SCOPE OF TESTIMONY.....</b>               | <b>2</b>  |
| 3  | <b>III. SUMMARY OF CENTERPOINT HOUSTON’S REQUEST .....</b>   | <b>3</b>  |
| 4  | <b>IV. SUMMARY OF STAFF’S RECOMMENDATION.....</b>            | <b>3</b>  |
| 5  | <b>V. ADJUSTMENTS TO CENTERPOINT HOUSTON’S REQUEST.....</b>  | <b>5</b>  |
| 6  | <b>A. COVID-19 Regulatory Asset.....</b>                     | <b>5</b>  |
| 7  | <b>B. Cloud Computing Regulatory Asset.....</b>              | <b>10</b> |
| 8  | <b>C. Corporate Alternative Minimum Tax – Rider IRA.....</b> | <b>16</b> |
| 9  | <b>D. Non-Qualified Pension Plans .....</b>                  | <b>26</b> |
| 10 | <b>E. Executive Perquisites .....</b>                        | <b>28</b> |
| 11 | <b>F. Affiliate Carrying Charges.....</b>                    | <b>29</b> |
| 12 | <b>G. Cash Working Capital (CWC) .....</b>                   | <b>30</b> |
| 13 | <b>H. Federal Income Tax Expense.....</b>                    | <b>32</b> |
| 14 | <b>I. Texas Margins Tax .....</b>                            | <b>32</b> |
| 15 | <b>J. Ad Valorem Tax Expense.....</b>                        | <b>33</b> |

## ATTACHMENTS

|                  |                                                |
|------------------|------------------------------------------------|
| Attachment RS-1  | Staff’s Revenue Requirement                    |
| Attachment RS-2  | Staff’s Cash Working Capital                   |
| Attachment RS-3  | CenterPoint Houston Response to Staff 4-3      |
| Attachment RS-4  | CenterPoint Houston Response to Staff 4-4      |
| Attachment RS-5  | CenterPoint Houston Response to Staff 4-5      |
| Attachment RS-6  | CenterPoint Houston Response to Staff 4-6      |
| Attachment RS-7  | Cloud Computing Expense Comparison             |
| Attachment RS-8  | CenterPoint Houston Response to Staff 5-8      |
| Attachment RS-9  | CenterPoint Houston Response to GCCC 2-7       |
| Attachment RS-10 | CenterPoint Houston Response to GCCC 2-9       |
| Attachment RS-11 | CenterPoint Houston Response to GCCC 2-8       |
| Attachment RS-12 | SB 1364 Bill Analysis                          |
| Attachment RS-13 | CenterPoint Houston Response to Staff 4-10     |
| Attachment RS-14 | Docket No. 38339 CEHE’s Initial Brief          |
| Attachment RS-15 | Schedule II-B from Docket Nos. 49421 and 56211 |
| Attachment RS-16 | CenterPoint Houston Response to Staff 4-29     |
| Attachment RS-17 | CenterPoint Houston Response to Staff 4-25     |
| Attachment RS-18 | CenterPoint Houston Response to Staff 4-34     |
| Attachment RS-19 | Errata 3 WP II-B-9                             |
| Attachment RS-20 | CenterPoint Houston Response to Staff 4-1      |
| Attachment RS-21 | Adjustment to Ad Valorem Taxes                 |
| Attachment RS-22 | List of Previous Testimony                     |

1    **I.       QUALIFICATIONS**

2    **Q.       Please state your name and business address.**

3    A.       Ruth Stark, 1701 North Congress Avenue, Austin, Texas 78701.

4    **Q.       By whom are you employed and in what capacity?**

5    A.       I am employed by the Public Utility Commission of Texas (Commission) as a Senior  
6       Regulatory Accountant in the Rate Regulation Division.

7    **Q.       What are your principal responsibilities?**

8    A.       My responsibilities include testifying as a witness on accounting matters in rate cases and  
9       other proceedings filed at the Commission and participating in the overall examination,  
10       review, and analysis of rate change and other applications.

11   **Q.       Please briefly state your educational background and professional experience.**

12   A.       I received a Bachelor of Business Administration degree with a major in Accounting  
13       from the University of Texas at Austin in 1983. I am a Certified Public Accountant  
14       licensed in the State of Texas. I have accounting experience in public practice, industry,  
15       and state government. My public accounting responsibilities included tax and financial  
16       services to individuals, private enterprises, and non-profit organizations. As the  
17       accountant for a multi-divisional construction, engineering, and surveying company, I  
18       oversaw all accounting functions from maintaining the general ledger through financial  
19       statement and tax return preparation. At the Texas Water Development Board, I  
20       performed administrative duties associated with a federal construction grant program and  
21       the state revolving loan fund related to municipal capital improvement projects. Except  
22       for the three-month period encompassing October through December 2015, I have been  
23       employed with the Commission since September 1990. Prior to my retirement in

1 September 2015, I held the position of Director of Financial Review in the Rate  
2 Regulation Division for 16 years.

3 **Q. Have you previously testified before the Commission?**

4 A. Yes. Attachment RS-22 presents a summary of the dockets in which I have testified.

5 **Q. On whose behalf are you testifying?**

6 A. I am testifying on behalf of the Commission Staff (Staff).

7 **II. PURPOSE AND SCOPE OF TESTIMONY**

8 **Q. What is the purpose of your testimony in this proceeding?**

9 A. The purpose of my testimony is to present Staff's recommended revenue requirement  
10 regarding CenterPoint Energy Houston Electric, LLC's (CenterPoint Houston or the  
11 Company) request to change its rates based on a test year ending December 31, 2023.  
12 CenterPoint Houston's current base rates were established in Docket No. 49421.<sup>1</sup>

13 **Q. What is the scope of your review?**

14 A. My review encompasses analysis of CenterPoint Houston's application in this proceeding  
15 (Application), including its three errata filings and 45-day update thereto, as well as its  
16 responses to various Requests for Information (RFIs).

17 **Q. What standards are you applying in the determination of the reasonableness of**  
18 **CenterPoint Houston's requested revenue requirement?**

19 A. I am applying the standards set forth in the Public Utility Regulatory Act, Tex. Util. Code  
20 Ann. (PURA).<sup>2</sup> I am also applying 16 Texas Administrative Code (TAC) § 25.231,  
21 otherwise known as the Commission's cost of service rule.

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

<sup>2</sup> Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 36.051-36.066.

**III. SUMMARY OF CENTERPOINT HOUSTON'S REQUEST**

**Q. Please summarize CenterPoint Houston's request.**

A. CenterPoint Houston presents a total cost of service (or revenue requirement) of \$3,841,556,809.<sup>3</sup> This includes approximately \$1.4 billion for wholesale transmission from others.<sup>4</sup> CenterPoint Houston also presents a requested invested capital balance of \$12,091,957,708.<sup>5</sup>

**Q. Are all the costs included in its requested revenue requirement directly incurred by CenterPoint Houston?**

A. No. While most costs are directly incurred by CenterPoint Houston, other costs are incurred by its affiliated service company, CenterPoint Energy Service Company, LLC (Service Company), and other affiliates for services provided to the Company.

**IV. SUMMARY OF STAFF'S RECOMMENDATION**

**Q. As a result of your review of the Application and other information provided by CenterPoint Houston, do you propose any adjustments to the requested revenue requirement?**

A. Yes. Based on my review of CenterPoint Houston's Application, three errata filings, 45-day update, and responses to RFIs, I propose several adjustments to the revenue requirement. These include adjustments to operations and maintenance expense and invested capital, as well as the associated flow-through impacts to federal income and other taxes. Additionally, I address CenterPoint Houston's request to establish certain regulatory asset and special tax rider treatments through this proceeding.

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<sup>3</sup> CenterPoint Energy Houston Electric, LLC's Errata 3 Filing (Errata 3) at Schedule I-A-1 Total Cost of Service by Function, (Jun. 14, 2024).

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* at Schedule II-B Summary of Rate Base.

1    **Q.     Will you please explain the concept of a regulatory asset?**

2    A.     A regulatory asset is an intangible asset on the books of a regulated utility. It is a cost or  
3           item of expense that a regulatory agency like the Commission permits a public utility like  
4           CenterPoint Houston to defer on its balance sheet for future recovery through rates.

5    **Q.     Does your calculated total revenue requirement reflect the recommendation of other**  
6           **Staff witnesses?**

7    A.     My calculated total revenue requirement incorporates the recommendations of Staff  
8           witnesses Mark Filarowicz, John Poole, and James Euton. Please refer to their  
9           testimonies for further details and explanations regarding their recommendations.

10   **Q.     Please summarize Staff's recommendation.**

11   A.     As shown on Schedule I of Attachment RS-1, Staff recommends a total revenue  
12           requirement of \$3,757,550,560, which is an adjustment of (\$84,006,249) to CenterPoint  
13           Houston's request. CenterPoint Houston's total revenue requirement, as well as Staff's  
14           adjustments thereto, are presented in the series of schedules included in this attachment.  
15           The first column of each schedule presents CenterPoint Houston's test-year book  
16           balances. The second column reflects the adjustments proposed by the Company that  
17           result in the December 31, 2023, adjusted total revenue requirement presented in the third  
18           column of each schedule. Staff's adjustments to CenterPoint Houston's request are  
19           reflected in the fourth column and Staff's recommended total revenue requirement is  
20           shown in the last column of each schedule.

21   **Q.     If an issue or one of CenterPoint Houston's proposals is not addressed in Staff's**  
22           **pre-filed testimony, does that indicate that Staff supports the Company's position**  
23           **on that issue?**

24   A.     No. The fact that Staff does not address an issue or proposal should not be interpreted  
25           that Staff supports or agrees with CenterPoint Houston's position. Staff reserves the right

1 to address additional issues through a statement of position or in post-hearing briefing as  
2 it deems appropriate.

3 **V. ADJUSTMENTS TO CENTERPOINT HOUSTON'S REQUEST**

4 **A. COVID-19 Regulatory Asset**

5 **Q. Please explain the basis for CenterPoint Houston's COVID-19 regulatory asset**  
6 **request.**

7 A. In March of 2020, the Commission issued several orders addressing the effects of  
8 COVID-19 on public utilities. The Commission took steps to provide regulated utilities  
9 with some regulatory certainty by authorizing the use of an accounting mechanism  
10 (regulatory asset) through which utilities like CenterPoint Houston could seek future  
11 recovery of expenses resulting from the effects of COVID-19.<sup>6</sup>

12 As explained in the order in Project No. 50664:

13 The Commission authorizes each electric, water, and sewer utility to  
14 record as a regulatory asset expenses resulting from the effects of COVID-  
15 19, including but not limited to non-payment of qualified customer bills as  
16 specified by separate order issued on this same date. In future  
17 proceedings, the Commission will consider whether each utility's request  
18 for recovery of these regulatory assets is reasonable and necessary. The  
19 Commission will also consider in the future proceeding other issues, such  
20 as the appropriate period of recovery for the approved amount of  
21 regulatory assets, any amount of carrying costs thereon, and other related  
22 matters.<sup>7</sup>

23 The Commission therefore ordered that:<sup>8</sup>

- 24 1. Each electric utility and water and sewer utility in the state of  
25 Texas shall record as a regulatory asset expenses resulting from the  
26 effects of COVID-19.  
27 2. In future proceedings, the Commission will consider, on a case-by-  
28 case basis, the appropriate adjustment to a utility's rates to reflect

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<sup>6</sup> *Issues Related to the State of Disaster for the Coronavirus Disease 2019*, Project No. 50664, Order Related to Accrual of Regulatory Assets at 1 (Mar. 26, 2020).

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 2.



1 the recovery of the approved amount of regulatory assets recorded  
2 in accordance with this Order.

3 **Q. What types of costs does CenterPoint Houston request in its COVID-19 regulatory**  
4 **asset?**

5 A. CenterPoint Houston claims that based on the Commission's order in Docket No. 50664,  
6 it deferred costs in a regulatory asset that include expenses it identified as specifically  
7 related to COVID-19, and would not have been incurred in the absence of COVID-19.<sup>9</sup>  
8 CenterPoint Houston explains that "[t]hose incremental costs largely include personal  
9 protective equipment, facilities and personal cleaning products, additional janitorial  
10 services, government-required testing, additional staging sites for social distancing and  
11 continued operations, and employee expenses for supplies and mileage necessary for  
12 closure and remote work.<sup>10</sup> CenterPoint Houston's requested COVID-19 regulatory asset  
13 balance is \$8,104,605.<sup>11</sup>

14 **Q. Did CenterPoint Houston include any other types of costs in its COVID-19**  
15 **regulatory asset?**

16 A. In response to discovery, CenterPoint Houston identified [REDACTED] costs, including  
17 an amount of [REDACTED] included in its COVID-19 regulatory asset for "[REDACTED]  
[REDACTED]"<sup>12</sup>

19 **Q. Were the [REDACTED] costs directly caused by COVID-19?**

20 A. CenterPoint Houston did not provide testimony regarding this item. It was identified in  
21 response to discovery. There is no explanation for why it was reasonable and necessary  
22 to include this item in the Company's COVID-19 regulatory asset. CenterPoint Houston

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<sup>9</sup> Direct Testimony of Kristi L. Colvin (Colvin Direct) at 49:15 – 50:1.

<sup>10</sup> Direct testimony of Deryl Tumlinson at 25:2-6; Direct Testimony of David Mercado at 42:10-14.

<sup>11</sup> Errata 3 at Schedule II-B-12.

<sup>12</sup> CenterPoint Energy Houston Electric, LLC's Response to Public Utility Commission of Texas Fourth Request for Information (CenterPoint's Response to Staff's 4<sup>th</sup> RFI), Question No. PUC 4-3 (confidential) at Page 1 of 197. (May 14, 2024). See Attachment RS-3 (confidential).

1 does not claim that it would not have [REDACTED]  
2 [REDACTED] if not for COVID-19. Instead, CenterPoint Houston's request presumes  
3 that it should be allowed to recover [REDACTED]  
4 [REDACTED] during each of the years 2020, 2021, and 2022 rather than [REDACTED] the total  
5 amount of those [REDACTED]. In other words,  
6 CenterPoint Houston is seeking to recover the amount of [REDACTED]  
7 [REDACTED] for those [REDACTED] during those  
8 years by accounting [REDACTED] in a different manner.

9 **Q. Is CenterPoint Houston's request with respect to these [REDACTED] reasonable?**

10 A. CenterPoint Houston's decision to continue to [REDACTED]  
11 [REDACTED] may have been generous with respect to those [REDACTED].  
12 However, CenterPoint Houston has not shown that it would not have incurred those  
13 [REDACTED] absent COVID-19. I do not believe the intent of the Commission's  
14 order in Project No. 50664 was to compensate CenterPoint Houston for a different  
15 [REDACTED] it would have incurred even absent the COVID-  
16 19 pandemic.

17 **Q. Do you have any other issues or concerns related to CenterPoint Houston's**  
18 **requested COVID-19 regulatory asset?**

19 A. Yes. The Commission's Order in Project No. 50664 explained that it would consider  
20 whether a utility's request for recovery of its COVID-19 regulatory asset is reasonable  
21 and necessary, as well as "other related matters."<sup>13</sup> CenterPoint Houston is requesting  
22 recovery of [REDACTED] it claims are due to COVID-19 but is  
23 not offsetting that request with expense reductions [REDACTED] associated with  
24 COVID-19. CenterPoint Houston confirmed in discovery that it did not offset the  
25 expenses recorded in the COVID-19 regulatory asset with expense reductions that were

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<sup>13</sup> Project No. 50664, Order at 1.

also associated with COVID-19, claiming that it was not required to do so by the Order in Project No. 50664,<sup>14</sup> and explained that it did not identify and quantify all of the data necessary to determine such expense reductions.<sup>15</sup>

**Q. Did any other utilities reduce their COVID-19 regulatory assets recorded pursuant to the order in Project No. 50664 by COVID-19-related expense reductions?**

A. I am aware that El Paso Electric Company reduced its requested COVID-19 regulatory asset by reductions in certain expenses due to COVID-19.<sup>16</sup>

**Q. Did CenterPoint Houston experience any expense reductions that you believe were related to COVID-19?**

A. The Company was asked in discovery to provide its employee travel, meal, and training expenses for the period 2017 through 2022. CenterPoint Houston was also asked that, to the extent there were reductions in those expenses in 2020 and thereafter, to identify any reductions that were not attributable to COVID-19 as well as the reason for the reduction. CenterPoint Houston provided the following information, which shows significant reductions to its own direct employee travel, meals, and training expenditures beginning in 2020:

**Table 1 – CenterPoint Houston Direct<sup>17</sup>**

| <b>Year</b> | <b>Total Direct Employee Travel, Meals,<br/>Training</b> |
|-------------|----------------------------------------------------------|
| <b>2017</b> | <b>\$7,890,978</b>                                       |
| <b>2018</b> | <b>\$2,496,871</b>                                       |

<sup>14</sup> CenterPoint's Response to Staff's 4<sup>th</sup> RFI, Question No. Staff 4-4. See Attachment RS-4.

<sup>15</sup> *Id.* at Question No. Staff 4-5. See Attachment RS-5.

<sup>16</sup> *Application of El Paso Electric Company to Change Rates*, Docket No. 52195. Application, Direct Testimony of Cynthia S. Prieto at 37:18-19 (Jun. 1, 2021).

<sup>17</sup> CenterPoint's Response to Staff's 4<sup>th</sup> RFI, Question No. Staff 4-6 at Attachment 1. See Attachment RS-6.

|             |                    |
|-------------|--------------------|
| <b>2019</b> | <b>\$1,945,007</b> |
| <b>2020</b> | <b>\$ 402,997</b>  |
| <b>2021</b> | <b>\$ 682,207</b>  |
| <b>2022</b> | <b>\$1,359,725</b> |

CenterPoint Houston also provided the total employee travel, meals, and training expenses for the Service Company for the same period. The Company did not perform the analysis to provide the requested amounts allocated to it each year.

**Table 2 – Service Company Total<sup>18</sup>**

| <b>Year</b> | <b>Total Service Company Employee Travel, Meals, Training</b> |
|-------------|---------------------------------------------------------------|
| <b>2017</b> | <b>\$4,258,790</b>                                            |
| <b>2018</b> | <b>\$5,797,735</b>                                            |
| <b>2019</b> | <b>\$7,420,148</b>                                            |
| <b>2020</b> | <b>\$1,518,801</b>                                            |
| <b>2021</b> | <b>\$2,635,726</b>                                            |
| <b>2022</b> | <b>\$4,653,317</b>                                            |

CenterPoint Houston did not identify any amount of the above reductions for its own direct expenses or the expenses of the Service Company that were NOT attributable to COVID-19.

**Q. What is your conclusion with respect to CenterPoint Houston’s employee meals, travel, and training expenses for the period 2020 through 2022?**

**A.** A comparison of the \$2,444,929 total direct employee travel, meals and training expenses incurred during the three-year period 2020, 2021, and 2022 to the total amount of

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<sup>18</sup> *Id.*

1 \$12,332,856 for the three-year period 2017 through 2019 (pre-COVID-19) shows that  
2 these reductions alone more than offset the amount of claimed [REDACTED]  
3 CenterPoint Houston included in its requested COVID-19 regulatory asset. This is  
4 without consideration of any reductions related to allocations from the Service Company.

5 **Q. What is your recommendation with respect to CenterPoint Houston's requested**  
6 **COVID-19 regulatory asset?**

7 **A.** Including estimated [REDACTED] in the COVID-19 regulatory asset  
8 while not taking into consideration [REDACTED] related to COVID-19 as an offset  
9 is one-sided. Such asymmetrical treatment is not reasonable in in this case. This is  
10 especially true given that [REDACTED] CenterPoint Houston's request  
11 is based on would have been incurred even absent COVID-19. The Commission's order  
12 in Project No. 50664 contemplated consideration of "other related matters." Expense  
13 reductions related to COVID-19 are clearly other related matters. I therefore recommend  
14 a reduction to CenterPoint Houston's requested COVID-19 regulatory asset balance of  
15 [REDACTED] and a reduction to the associated amortization expense of \$538,338.

16 **B. Cloud Computing Regulatory Asset**

17 **Q. What is cloud computing?**

18 **A.** CenterPoint Houston explains that cloud computing is the delivery method for  
19 information technology products such as servers, storage, databases, networking,  
20 software, and internet-based computing.<sup>19</sup> The Company notes that the primary  
21 difference between cloud computing arrangements (CCAs) and on-premise IT solutions  
22 is ownership.<sup>20</sup> CenterPoint Houston's primary CCAs are for infrastructure as a service  
23 (IaaS) and software as a service (SaaS).<sup>21</sup> Under a CCA, the Company purchases a

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<sup>19</sup> Direct Testimony of Ronald W. Bahr (Bahr Direct) at 29:10-12.

<sup>20</sup> *Id.* at 29:23-24.

<sup>21</sup> *Id.* at 29:16-18.

1 service for the delivery of IT products and has access to the same level of hardware and  
2 software solutions as with on-premise IT solutions with the only difference being where  
3 the hardware is located – on-premise or off-site.<sup>22</sup> According to CenterPoint Houston,  
4 companies can increasingly access infrastructure and software through cloud delivery  
5 which reduces in-house technical support and costly hardware systems, and CenterPoint  
6 Houston predicts that the use of cloud-based IT infrastructure will grow as companies  
7 move away from purchasing stationary products.<sup>23</sup>

8 **Q. Please explain CenterPoint Houston's requested cloud computing regulatory asset.**

9 A. CenterPoint Houston proposes to establish a regulatory asset to track amounts not already  
10 included in its base rates that are incurred for third-party CCAs, and defer amounts  
11 incurred above or below a baseline level of costs for recovery in a future base-rate  
12 proceeding.<sup>24</sup> According to CenterPoint Houston, this is designed to allow it to defer and  
13 recover essentially what would be the capital portion of third-party costs above the  
14 baseline level included in rates or issue credits to customers if future third-party costs fall  
15 below the baseline level.<sup>25</sup>

16 **Q. How does CenterPoint Houston justify its requested cloud computing regulatory**  
17 **asset?**

18 A. CenterPoint Houston claims that its request for regulatory asset treatment is similar to the  
19 treatment for one-time, unusual, or extraordinary costs between rate cases not already  
20 reflected in base rates approved by the Commission in Docket No. 47364 for O&M  
21 associated with smart meter Texas (SMT) and in Project No. 36536 for costs associated  
22 with expedited customer switches.<sup>26</sup>

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<sup>22</sup> *Id.* at 30:8-12.

<sup>23</sup> *Id.* at 29:13-16.

<sup>24</sup> Colvin Direct at 102:3-7.

<sup>25</sup> *Id.* at 102:9-13.

<sup>26</sup> Colvin Direct at 102:13-19 citing *Application of CenterPoint Energy Houston Electric, LLC for the Final Reconciliation of Advanced Metering Costs*, Docket No. 47364, Order (Dec. 14, 2017) and *Rulemaking to*

1 **Q. Do you agree with CenterPoint Houston that its request is similar to the**  
2 **Commission's approvals in Docket No. 47364 and Project No. 36536?**

3 A. If, as asserted by CenterPoint Houston, CCAs are becoming more common, and the use  
4 of cloud-based IT infrastructure will grow as companies move away from purchasing  
5 stationary IT products, then these costs cannot be classified as one-time, unusual, or  
6 extraordinary. They are therefore not similar to what the Commission approved in those  
7 prior cited cases. Additionally, the costs approved by the Commission between rate cases  
8 in those proceedings were costs to advance specific Commission goals or objectives,  
9 which is not the situation with respect to CenterPoint Houston's CCAs.

10 **Q. Do you have other issues with CenterPoint Houston's requested cloud computing**  
11 **regulatory asset?**

12 A. Yes. CenterPoint Houston proposes to credit ratepayers if third-party CCA costs are  
13 below the proposed baseline levels, but it does not propose to return any of its current  
14 non-CCA costs that are reduced or eliminated because of the increased use of CCAs. As  
15 explained previously, CenterPoint Houston acknowledges that investing in cloud-based  
16 technology eliminates some upfront costs and "the complexity" of owning and  
17 maintaining IT infrastructure,<sup>27</sup> and reduces in-house technical support and costly  
18 hardware systems.<sup>28</sup> CenterPoint Houston's proposal is one-sided in that it would capture  
19 (for its own benefit) increases in cloud-based computing costs, but would not recognize  
20 associated decreases to current on-premise costs that would benefit ratepayers.

21 **Q. How do CenterPoint Houston's expected future CCA costs compare to its CCA costs**  
22 **during the test year?**

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*Expedite Customer Switch Timelines*, Project No. 36536, Order Adopting Amendments to §25.214 and §25.474 as Approved at the June 2, 2009 Open Meeting (Jun. 11, 2009).

<sup>27</sup> Bahr Direct at 31:15-18.

<sup>28</sup> *Id.* at 29:13-14.

1 A. CCA costs incurred by the Technology Operations unit on behalf of and charged to  
2 CenterPoint Houston as well as its own directly incurred CCA costs for the test year are  
3 shown on Attachment RS-7. Also shown on this attachment are the amounts CenterPoint  
4 Houston expects to incur for CCAs in 2024 based on executed contracts. The  
5 information on Attachment RS-7 demonstrates that the Company expects to incur a lesser  
6 amount of CCA costs in 2024 than in the 2023 test year.

7 **Q. What information did CenterPoint Houston provide with respect to its CCA costs**  
8 **beyond 2024?**

9 A. CenterPoint Houston claims that:

10 Although specific figures for 2025-2028 are not available, the CCA spend  
11 in these years for the IaaS and CaaS CCAs will be *similar* and not less  
12 than 2024 totals due to factors like inflation, contract time period, and  
13 other annual increases to subscription costs that vendors *typically* tie to  
14 inflation. In addition, an SAP S/4 Transformation program is being  
15 evaluated and that *may affect* these numbers in future years. There *may be*  
16 a *high likelihood* for increased usage of CCAs in the future.<sup>29</sup>

17 **Q. Has CenterPoint Houston justified the need for CCA regulatory asset treatment?**

18 A. No. CenterPoint Houston has not demonstrated that it will incur significant CCA  
19 increases in the future. The request for regulatory asset treatment for those costs in this  
20 proceeding is therefore not reasonable or supported by evidence. CenterPoint Houston's  
21 proposal would result in piecemeal ratemaking by conferring on a select expense class  
22 extraordinary regulatory treatment compared to other components of its cost of service.  
23 In using a historical test year to set rates, a utility's expenses for the period rates are in  
24 effect will most certainly not match those in the test year. This is the regulatory construct  
25 in Texas. Some expenses will be more than in the test year and some will be less. The  
26 Commission has previously acknowledged this in determining that:

27 Since rates are set prospectively only, a historic test year is used to  
28 approximate the utility's anticipated cost of operation during the period

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<sup>29</sup> CenterPoint Energy Houston Electric, LLC's Response to the Public Utility Commission of Texas Fifth Requests for Information (CenterPoint's Response to Staff's 5<sup>th</sup> RFI), Question No. Staff 5-8. See Attachment RS-8.



1 when rates will be in effect. There is an attempt to match future costs with  
2 future revenues, not recoup past costs with future revenues.<sup>30</sup>

3 Since ratemaking is not an exact science, often expenses are not  
4 recovered. This is not confiscation; it is a risk of doing business for which  
5 the utility is compensated in its authorized rate of return.<sup>31</sup>

6 Additionally, PURA § 36.051 provides that:

7 In establishing an electric utility's rates, the regulatory authority shall  
8 establish the utility's overall revenues at an amount that will permit the  
9 utility a reasonable opportunity to earn a reasonable return on the utility's  
10 invested capital used and useful in providing service to the public in  
11 excess of the utility's reasonable and necessary operating expenses.

12 Utilities are only given the *opportunity* to earn a reasonable return by PURA, not a  
13 *guaranteed* return. CenterPoint Houston's proposal would transform the PURA mandate  
14 of providing it with a reasonable opportunity to recover its CCA costs into a guarantee of  
15 recovery.

16 **Q. Does the Commission have the authority to grant the regulatory asset (deferred  
17 accounting) treatment requested by CenterPoint Houston?**

18 A. While the Supreme Court of Texas previously found that "the Commission possesses the  
19 authority to authorize deferred accounting treatment," it also noted that "this authority is  
20 not unfettered."<sup>32</sup> Additionally, in Docket No. 46449, the Proposal for Decision (PFD)  
21 adopted by the Commission explained:

22 As Staff demonstrated, the creation of a regulatory asset is an  
23 extraordinary remedy meant to be used only when there is no other  
24 prospect that a utility can otherwise recover legitimate costs in rates.<sup>33</sup>

25 and

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<sup>30</sup> *Application of Gulf States Utilities Company for a Rate Increase*, Docket No. 3871, 7 P.U.C. Bull. 410 (Sep. 17, 1981).

<sup>31</sup> *Id.*

<sup>32</sup> *Office of Pub. Util. Counsel v. Pub. Util. Comm'n of Texas*, 888 S.W.2d 804, 808 (Tex. 1994) (citing *State v. Pub. Util. Comm'n of Texas*, 883 S.W.2d 190, 196 (Tex. 1994)).

<sup>33</sup> *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Proposal for Decision at 278-279 (Sep. 22, 2017).

Staff is also correct that deferred accounting should only be used in very limited instances, such as to preserve a utility's financial integrity.<sup>34</sup>

In adopting the PFD in that case, the Commission found:

Deferred accounting is appropriate only for costs that are legitimately recoverable from customers but cannot be otherwise recovered in rates.<sup>35</sup>

and

SWEPCO has not demonstrated that deferred accounting is necessary for its back-billed Attachment Z2.<sup>36</sup>

**Q. Has CenterPoint Houston demonstrated that regulatory asset treatment for these expenses is necessary to preserve its financial integrity?**

A. No, CenterPoint Houston has not demonstrated that it needs the proposed extraordinary relief with respect to its CCA costs to maintain its financial integrity.

**Q. Has the Texas Legislature conferred deferred accounting or regulatory asset treatment for other expenses associated with the provision of electric service?**

A. Yes. The Legislature has conferred expense tracker or regulatory asset treatment for select expense items. For instance, self-insurance,<sup>37</sup> pension and other postemployment benefits,<sup>38</sup> costs related to reporting on safety process and line inspections,<sup>39</sup> hurricane costs,<sup>40</sup> and, more recently, long lead-time facilities<sup>41</sup> and system resiliency costs<sup>42</sup> have all been afforded special treatment by the Legislature.

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<sup>34</sup> *Id.* at 279.

<sup>35</sup> Docket No. 46449, Order on Rehearing at Finding of Fact No. 241 (Mar. 19, 2018).

<sup>36</sup> *Id.* at Finding of Fact No. 242.

<sup>37</sup> PURA § 36.064.

<sup>38</sup> PURA § 36.065.

<sup>39</sup> PURA § 36.066.

<sup>40</sup> PURA § 36.459.

<sup>41</sup> PURA § 39.918.

<sup>42</sup> PURA § 38.078.

1 **Q. Has the Commission itself previously granted regulatory asset treatment for utility**  
2 **expenses?**

3 A. Yes. As shown in the examples provided above by CenterPoint Houston, the  
4 Commission has opted from time to time to grant regulatory asset treatment for certain  
5 unusual, non-recurring, or extraordinary expenses.<sup>43</sup> CCAs are not unusual, non-  
6 recurring, or extraordinary expenses. CenterPoint Houston's request should be denied.

7 **C. Corporate Alternative Minimum Tax – Rider IRA**

8 **Q. Please explain the basis of CenterPoint Houston's requested corporate alternative**  
9 **minimum tax (CAMT) Rider IRA.**

10 A. In 2022, the Inflation Reduction Act (IRA) amended the Internal Revenue Code to,  
11 among other things, impose a new corporate alternative minimum tax on large  
12 corporations for taxable years beginning after December 31, 2022.<sup>44</sup> The CAMT  
13 generally applies to certain large "applicable corporations" which will result in those  
14 companies paying the greater of their regular federal income tax liability or 15% of their  
15 annual financial statement income (AFSI) after certain adjustments. An applicable  
16 corporation is one that meets the AFSI test for a taxable year if its average annual AFSI  
17 for the three-taxable-year period ending with that tax year exceeds \$1 billion.

18 **Q. What is CenterPoint Houston's proposal with respect to the CAMT?**

19 A. CenterPoint Houston proposes to move the impacts of the CAMT into a new separate  
20 rider (Rider IRA) "to ensure that the impacts of the IRA are captured on an annual  
21 basis."<sup>45</sup> The Company requests to immediately begin tracking the impacts of the IRA  
22 upon receiving a final order in this proceeding.<sup>46</sup> CenterPoint Houston explains that

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<sup>43</sup> See, for instance, Project No. 50664, where the Commission established a tracker with regulatory asset treatment for incremental costs associated with the COVID-19 global pandemic.

<sup>44</sup> H.R.5376 –117<sup>th</sup> Congress, Inflation Reduction Act of 2022, Public Law No: 117-169 (Aug. 16, 2022).

<sup>45</sup> Colvin Direct at 105:16-17.

<sup>46</sup> *Id.* at 105:18-19.

1 payment of the CAMT creates a CAMT carryforward that is recorded as a deferred tax  
2 asset.<sup>47</sup> The Company also explains that there is no CAMT deferred tax asset balance for  
3 the test year.<sup>48</sup> CenterPoint Houston proposes that Rider IRA would capture costs  
4 associated with the IRA that would occur outside of a test year by capturing the return on  
5 the CAMT deferred tax asset at the weighted cost of capital from this case.<sup>49</sup> Under  
6 CenterPoint Houston's proposal, the return included in the tax rider would also  
7 accumulate carrying charges until recovered through Rider IRA.<sup>50</sup>

8 **Q. How does CenterPoint Houston justify its requested IRA rider?**

9 A. CenterPoint Houston likens its request to the Commission's order in Project No. 47945<sup>51</sup>  
10 related to the Tax Cuts and Jobs Act of 2017 that reduced the maximum corporate  
11 income tax rate from 35% to 21%, causing significant reductions in deferred taxes. In  
12 that project, the Commission ordered refunds of deferred taxes previously included in  
13 rates and collected from customers that will not be paid to the IRS.

14 **Q. Do you have any concerns with respect to CenterPoint Houston's request?**

15 A. Yes, I have several concerns. First, and most importantly, I am unsure of how or if  
16 CenterPoint Houston's proposal is consistent with PURA § 36.060 based on its discovery  
17 responses because the Company did not explicitly address this issue in its application.

18 **Q. Please explain.**

19 A. According to CenterPoint Houston:

20 CAMT is a calculation that uses the adjusted financial statement income  
21 (AFSI) of an applicable corporation. AFSI is defined as the net income or  
22 loss reported on a taxpayer's applicable financial statement (AFS) for a

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<sup>47</sup> *Id.* at 105:22-23.

<sup>48</sup> *Id.* at 105:23-24.

<sup>49</sup> *Id.* at 105:24 – 106:9.

<sup>50</sup> *Id.* at 106:9-10.

<sup>51</sup> *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Amended Order Related to Changes in Federal Income Tax Rates (Feb. 15, 2018).

1 taxable year, with certain adjustments. For this purpose, an applicable  
2 corporation (i.e. member of a controlled group) is an entity under a single  
3 employer as defined by I.R.C. § 52(a) or (b) that meets the parameters of  
4 the AFSI test. **The entity need not itself meet the AFSI test but only be**  
5 **a part of the single employer that does.** The tax itself is not based on  
6 the consolidated group, instead it is based on the control group.<sup>52</sup>

7 **Q. Does CenterPoint Houston meet the \$1 billion AFSI threshold?**

8 A. CenterPoint Houston was asked to confirm that on a stand-alone separate tax return basis  
9 it would not meet the \$1 billion AFSI threshold for the prior three-year period and thus  
10 would not be considered an applicable corporation subject to the CAMT. CenterPoint  
11 Houston replied that it has not made the calculations required to confirm or deny that on  
12 stand-alone separate tax return basis it would not meet the \$1 billion AFSI threshold for  
13 the prior three-year period.<sup>53</sup> The Company did, however, assert that it is an applicable  
14 corporation because it is a member of a controlled group that exceeds the \$1 billion  
15 average AFSI for the three preceding taxable years, and that its **AFSI for purposes of**  
16 **the AFSI test is that of the single employer (the controlled group) and not its own**  
17 **AFSI.**<sup>54</sup>

18 **Q. Does this mean that the income and expenses of CenterPoint Houston's affiliates,**  
19 **and not just the income and expenses included in CenterPoint Houston's rates, will**  
20 **determine how much CAMT it will pay?**

21 A. Apparently. Although not explained in its application or testimony, CenterPoint Houston  
22 noted in response to a discovery request that its parent, CNP, intends to record the CAMT  
23 to CenterPoint Houston and other entities contributing to the CAMT by **first confirming**  
24 **that CNP's consolidated CAMT is in excess of regular tax,** calculating **CenterPoint**  
25 **Houston's contribution** to AFSI on a stand-alone basis, and then comparing CenterPoint

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<sup>52</sup> CenterPoint Energy Houston Electric, LLC's Response to Gulf Coast Coalition of Cities Second Request for Information (CenterPoint's Response to GCCC's 2<sup>nd</sup> RFI) at Question No. GCCC 2-7 (Apr. 15, 2024) (emphasis added). See Attachment RS-9.

<sup>53</sup> CenterPoint's Response to GCCC's 2<sup>nd</sup> RFI at Question No. GCCC 2-9. See Attachment RS-10.

<sup>54</sup> *Id.* (emphasis added).

Houston's CAMT stand-alone amount with its regular stand-alone tax liability.<sup>55</sup> If CenterPoint Houston's stand-alone CAMT is in excess of the stand-alone regular tax, the CAMT will be recorded to CenterPoint Houston.<sup>56</sup>

**Q. What does PURA require with respect to utility federal income tax expense included in rates?**

A. In 2013, the Texas Legislature amended PURA to eliminate the Commission's ability to reflect a consolidated tax savings adjustment (CTSA) in rate proceedings involving electric utilities that are part of an affiliate group eligible to file a consolidated federal income tax return. The amended statute, § 36.060, is as follows:

If an expense is allowed to be included in utility rates or an investment is included in the utility rate base, the related income tax benefit must be included in the computation of income tax expense to reduce the rates. If an expense is not allowed to be included in utility rates or an investment is not included in the utility rate base, the related income tax benefit may not be included in the computation of income tax expense to reduce the rates. The income tax expense shall be computed using the statutory income tax rates.

**Q. Is there any guidance regarding the intent of the Legislature in adopting this amendment to the statute?**

A. According to the Bill Analysis filed by the sponsoring senator:

Current law allows the comingling of electric utility and non-electric utility costs. This comingling violates legislative intent that the activities of an electric utility's affiliates should not affect the utility services provided to ratepayers or the rates they pay for such service.<sup>57</sup>

and

Consistent with how rates are set for gas utilities under Section 104.055 of the Utilities Code, S.B. 1364 provides that electric utility rates should reflect income tax expense calculated on a stand-alone basis using only the electric utility's income and expenses and the income tax rates that would apply to the utility's stand-alone net income. As a result, the income,

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<sup>55</sup> *Id.* at Question No. GCCC 2-8 (emphasis added). See Attachment RS-11.

<sup>56</sup> *Id.*

<sup>57</sup> Acts 2013, 83<sup>rd</sup> Leg., R.S. ch. 787 (SB 1364), Bill Analysis S.B. 1364 7/18/2013 at 1. See Attachment RS-12.

gains, losses, and deductions of an electric utility's affiliates, including the federal income tax consequences of such income, gains, losses, and deductions, will not affect the electric utility's cost of service and rates charged for utility service.<sup>58</sup>

**Q. Are the income, gains, losses, and deductions of CenterPoint Houston's affiliates included in its rates?**

A. CenterPoint Houston confirmed that other than affiliate transactions allowed as capital costs or expenses under PURA § 36.058, no other revenues, expenses or invested capital of its parent and affiliates are included in its regulated rates or rate base.<sup>59</sup> Based on the method CNP intends to use to calculate and allocate CAMT to its subsidiaries outlined above, it is not clear that the income tax consequences of the income, gains, losses, and deductions of its affiliates would not be affecting the cost of service and rates CenterPoint Houston would charge its ratepayers for its services under this proposal.

**Q. Has CenterPoint Houston previously addressed the appropriateness of the income and expenses of its affiliates impacting the federal income tax expense included in its rates?**

A. Yes. As noted above, prior to 2013 the Commission imposed a CTSA under the provisions of PURA § 36.060 as they existed at that time. The purpose of the CTSA was to reflect in rates what the Commission deemed to be the utilities' fair share of savings resulting from their inclusion in consolidated federal income tax returns. The last fully contested rate case wherein the Commission reflected a CTSA in CenterPoint Houston's rates prior to the 2013 amendment to PURA § 36.060 was Docket No. 38339.<sup>60</sup>

**Q. What arguments did CenterPoint Houston make in that case regarding inclusion of the impacts of the income and expenses of its affiliates in rates?**

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<sup>58</sup> *Id.*

<sup>59</sup> CenterPoint's Response to Staff's 4<sup>th</sup> RFI at Question No. Staff 4-10. *See* Attachment RS-13.

<sup>60</sup> *Application of CenterPoint Electric Delivery Company, LLC for Authority to Change Rates*, Docket No. 38339, Order on Rehearing (Jun. 23, 2024).

1 A. CenterPoint Houston argued in Docket No. 38339 against the Commission's imposition  
2 of a CTSA, maintaining that its fair share of consolidated tax savings was \$0 because  
3 CenterPoint Houston was a ring-fenced utility that did not and could not bear any of its  
4 affiliates' losses and that ring fencing essentially means drawing a circle around the  
5 utility and keeping its activities separate from the other members of the consolidated  
6 group.<sup>61</sup> CenterPoint Houston also argued that:

7 The Commission has vigorously taken the position that whether a utility is  
8 a member of an affiliated group should have no effect on the utility's fair  
9 ROE, debt costs, administrative costs, or any other element of the revenue  
10 requirement; utilities in an affiliated group must necessarily be ring-fenced  
11 to prevent any effects of such cross ownership from creeping into the  
12 utility's costs. Taxes are no different, and to impose a CTSA on a ring-  
13 fenced utility conflicts with PURA and the Commission's rules requiring  
14 the arm's length separation between a utility and its affiliates.<sup>62</sup>

15 and

16 The Commission's most recent jurisprudence embraces this conclusion.  
17 While the Commission has imposed a CTSA in most cases since Docket  
18 No. 14965, it has recently demonstrated that it intends to respect ring-  
19 fenced entities for tax purposes. In Docket No. 35717, the Commission  
20 first found that Oncor "is a ring-fenced utility that has entered into a tax  
21 sharing agreement with its affiliates that required Oncor to function as a  
22 stand-alone company." The Commission then concluded that "[a]s a ring-  
23 fenced utility, Oncor's fair share of the tax savings is \$0."<sup>63</sup>

24 **Q. Does the Company address its previous positions, outlined above, as well as how the**  
25 **proposed calculation of CenterPoint Houston's share of the CAMT is consistent**  
26 **with the amended version of PURA § 36.060?**

27 A. CenterPoint Houston provided no testimony that explains how its proposal is consistent  
28 with the provisions of PURA § 36.060, nor how it is consistent with its prior claims that  
29 taxes of a ring-fenced utility should be calculated without any consideration of the  
30 income or expense of its affiliates. CenterPoint Houston's response to discovery seems

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<sup>61</sup> Docket No. 38339, CenterPoint Energy Houston Electric, LLC's Initial Post-Hearing Brief (CEHE's Initial Brief) at 138-139. *See* Attachment RS-14.

<sup>62</sup> *Id.* at 140. *See* Attachment RS-14.

<sup>63</sup> *Id.* at 141. *See* Attachment RS-14.



1 to indicate its proposal would disregard the stand-alone requirement of PURA when  
2 determining CenterPoint Houston's status as an applicable corporation<sup>64</sup> and did not  
3 provide any information for the Commission to be able to determine whether it would be  
4 considered an applicable corporation on a stand-alone basis.<sup>65</sup>

5 **Q. What issues must the Commission decide with respect to CenterPoint Houston's**  
6 **requested IRA rider?**

7 A. The Commission must first determine if it is appropriate to capture between rate cases in  
8 a separate rider the dollar for dollar impacts of a change in federal income tax law that  
9 has the potential to accelerate the timing of CenterPoint Houston's federal income tax  
10 payments.

11 **Q. What is your recommendation with respect to this point?**

12 A. Although CenterPoint Houston's request represents a type of piecemeal ratemaking, the  
13 Commission has in the past used the deferred accounting mechanism in the form of a  
14 regulatory liability to capture changes in federal income tax laws between rate cases that  
15 reduced utility taxes to the benefit of ratepayers. It is therefore not unreasonable in this  
16 case to capture the impacts of the change in the tax law between rate cases that could  
17 potentially increase income taxes, given that the tax law change is recent and its impact  
18 on CenterPoint Houston is uncertain.

19 **Q. What is the second issue the Commission must decide?**

20 A. If the Commission determines that it is appropriate to approve CenterPoint Houston's  
21 request for separate rider treatment related to the CAMT, it must then determine if the  
22 amount of the IRA rider may be determined based on the consolidated group's AFSI as  
23 described by CenterPoint Houston in its discovery response, or if PURA § 36.060  
24 requires that it be calculated solely on CenterPoint Houston's own income and expenses

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<sup>64</sup> CenterPoint's Response to Staff's 4<sup>th</sup> RFI at Question No. Staff 4-10. *See* Attachment RS-13.

<sup>65</sup> CenterPoint's Response to GCCC's 2<sup>nd</sup> RFI at Question No. GCCC 2-9. *See* Attachment RS-10.

1 and therefore its stand-alone AFSI. In other words, the determination would consider if  
2 CenterPoint Houston would recover amounts of CAMT only to the extent it meets the  
3 definition of an applicable corporation based on its stand-alone AFSI without regard to  
4 the income of any affiliates, and the CAMT amount is calculated solely on that stand-  
5 alone AFSI.

6 **Q. How should the Commission apply PURA § 36.060 with respect to CenterPoint**  
7 **Houston's requested IRA rider?**

8 A. As explained above, CenterPoint Houston itself has previously argued that whether a  
9 utility is a member of an affiliated group should have no effect on the utility's fair ROE,  
10 debt costs, administrative costs, or any other element of the revenue requirement,  
11 including taxes, and that a ring-fenced utility should have a circle around it separating it  
12 from the other members of its consolidated group. As also noted above, the author of the  
13 bill passed by the Legislature that amended PURA § 36.060 explained that the previous  
14 law allowed comingling of electric utility and non-electric utility costs that violated the  
15 legislative intent that the activities of an electric utility's affiliates should not affect the  
16 utility services provided to ratepayers or the rates they pay. He reiterated that electric  
17 utility rates should reflect income tax expense calculated on a stand-alone basis using  
18 only the electric utility's income and expenses and therefore the income gains, losses, and  
19 deductions of an electric utility's affiliates, **including the federal income tax**  
20 **consequences of such income, gains, losses, and deductions, will not** affect the electric  
21 utility's cost of service and rates. The 2013 amendment to PURA § 36.060 was enacted  
22 at the urging of electric utilities, including CenterPoint Houston to prevent the  
23 Commission's practice of reflecting in rates the benefits associated with consolidated  
24 federal income tax returns. It is only fair and consistent that the burdens of a  
25 consolidated income tax return, if any, should also be excluded from rates. The  
26 Commission is required to adhere to PURA. Therefore, it should only permit reflection

1 of the CAMT in CenterPoint Houston's rates to the extent that it would be subject to the  
2 CAMT on a stand-alone basis and calculate the amount of any CAMT on a stand-alone  
3 basis.

4 **Q. Are there any other issues related to CenterPoint Houston's requested IRA rider**  
5 **that the Commission should consider?**

6 A. Yes. The CAMT deferred tax asset is a subset of the accumulated deferred federal  
7 income tax accounts. CenterPoint Houston's request does not take into account other  
8 items that will likely cause its accumulated deferred tax liability balance to increase  
9 between the time rates from this case go into effect and its next base rate case.  
10 CenterPoint Houston's ADFIT liability increased over \$400 million in the five years  
11 since its last rate case<sup>66</sup> during which time, according to the Company, it made over \$6  
12 billion in additional plant investment.<sup>67</sup> CenterPoint Houston anticipates it will make  
13 almost \$12.8 billion in additional capital expenditures for the period 2024 through  
14 2028,<sup>68</sup> so its ADFIT liability will increase substantially during that period. Although  
15 ADFIT is updated as part of any DCRF filings, there is no requirement for an update of  
16 ADFIT in the interim transmission cost of service (TCOS) cases. As part of the  
17 settlement in CenterPoint Houston's last base rate case, Docket No. 49421, CenterPoint  
18 Houston agreed to include changes to its accumulated deferred federal income taxes  
19 (ADFIT) in interim TCOS rate proceedings until the rates from this case go into effect.<sup>69</sup>  
20 Absent the Commission ordering similar treatment in this case, CenterPoint Houston  
21 would reap the benefits of any increase in its CAMT deferred tax asset balance even if  
22 those increases are offset by increases in the deferred tax liability balance (especially

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<sup>66</sup> ADFIT balance from Docket No. 49421 Schedule II-B compared to Schedule II-B in Docket No. 56211.  
*See* Attachment RS-15.

<sup>67</sup> Direct Testimony of Jason M. Ryan at 11:3-6.

<sup>68</sup> *Id.* at 13, Figure JMR-6.

<sup>69</sup> Docket No. 49421 Stipulation and Settlement Agreement at Article I. Items D and E. (Jan. 23, 2020).

1 considering the level of capital investment CenterPoint Houston claims it intends to make  
2 in the next few years).

3 **Q. What is your recommendation with respect to CenterPoint Houston's requested**  
4 **CAMT rider?**

5 A. It is reasonable and consistent with prior Commission practice with respect to federal  
6 income tax law changes for the Commission to grant CenterPoint Houston's requested  
7 IRA rider based on the following conditions. First, only the return on CAMT deferred  
8 tax assets arising to the extent CenterPoint Houston meets the definition of an applicable  
9 corporation based solely on its own stand-alone AFSI without regard to the income of  
10 any affiliates, and calculated solely on that stand-alone AFSI should be collected in an  
11 IRA rider between the date rates from this proceeding go into effect and the date rates  
12 from CenterPoint Houston's next base rate case go into effect. Additionally, CenterPoint  
13 Houston should be required to update all of its non-CAMT ADFIT balances in all interim  
14 rate proceedings for the same time period. The IRA rider mechanism should remain in  
15 place for just that finite period, allowing for the Commission to revisit the  
16 appropriateness of extending the IRA rider in CenterPoint Houston's next base rate case  
17 when it has the benefit of historical information to analyze. Because of the lack of  
18 specificity in CenterPoint Houston's request, if the Commission adopts an IRA rider, it  
19 should also order that the details of such rider, including the issues discussed above, will  
20 be addressed in a separate compliance proceeding.

21 **Q. Do you have any other comments or recommendations with respect to CenterPoint**  
22 **Houston's request for authorization of an IRA rider and CCA regulatory asset in**  
23 **this proceeding?**

24 A. Yes. CenterPoint Houston is requesting to transform the *opportunity* to recover its  
25 CAMT and CCA costs into a *guarantee* of recovery by eliminating risk associated with  
26 these expenses through its requests for a separate tax rider and regulatory asset. As noted

1 previously, the Commission has explained that expenses are often not recovered, and  
2 such is the risk of doing business, for which a utility is compensated in its rate of return.  
3 To the extent the Commission approves one or both of CenterPoint Houston's proposed  
4 requests, the Commission should give appropriate consideration to the associated  
5 reduction of CenterPoint Houston's business risk when setting its return on equity in this  
6 proceeding.

7 **D. Non-Qualified Pension Plans**

8 **Q. Please explain what a non-qualified pension plan is.**

9 A. Generally, a non-qualified pension plan (also referred to as a supplemental executive  
10 retirement plan or SERP) is a type of deferred compensation plan offered to key  
11 executives and other highly compensated employees to supplement the standard  
12 retirement plan offered to all employees. The non-qualified plan provides additional  
13 benefits in excess of those that fall under the Employee Retirement Income Security Act  
14 (ERISA) guidelines and are non-deductible for federal income tax purposes.<sup>70</sup>

15 **Q. Does CenterPoint Houston include any non-qualified pension expenses in its**  
16 **requested revenue requirement?**

17 A. Yes. In addition to its traditional qualified pension plan, CenterPoint Houston also has an  
18 unfunded, non-qualified retirement plan known as its Benefit Restoration Plan (BRP).<sup>71</sup>  
19 The BRP includes retirement benefits that are excluded from the retirement plan because  
20 of the limitations of the Internal Revenue Code.<sup>72</sup> For certain employees, CenterPoint  
21 Houston also has an unfunded, non-qualified savings plan called the Savings Restoration  
22 Plan (SRP).<sup>73</sup> Like the BRP, CenterPoint Houston's SRP includes amounts it would have

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<sup>70</sup> 26 U.S. Code § 401(a).

<sup>71</sup> Direct Testimony of Bertha R. Villatoro at 45:3-4.

<sup>72</sup> *Id.* at 45:4-8.

<sup>73</sup> *Id.* at 47:4-5.

1 matched if not for the limitations of the Internal Revenue Code.<sup>74</sup> CenterPoint Houston  
2 identified \$152,934 of direct and \$844,126 of allocated non-qualified BRP expenses  
3 along with \$387,705 of allocated non-qualified SRP expenses in its requested revenue  
4 requirement.<sup>75</sup>

5 **Q. Please explain your adjustment to CenterPoint Houston's requested non-qualified**  
6 **pension expense.**

7 A. I recommend disallowance of the total amount of \$1,384,765 of non-qualified pension  
8 expenses included in CenterPoint Houston's revenue requirement. The Commission has  
9 previously determined that non-qualified pension expenses are not reasonable or  
10 necessary. For example, in Docket No. 46449, the Commission found that:

11 SWEPCO's requested non-qualified supplemental executive retirement  
12 benefits are not reasonable or necessary to provide utility service to the  
13 public, are not in the public interest, and should not be included in  
14 SWEPCO's cost of service.<sup>76</sup>

15 **Q. Are there any other non-qualified pension costs reflected in CenterPoint Houston's**  
16 **requested revenue requirement?**

17 A. Yes. First, CenterPoint Houston has included a reduction to its requested rate base in the  
18 amount of \$5,278,000 for its unfunded BRP accrued liability.<sup>77</sup> In order to remove all  
19 non-qualified pension plan costs from CenterPoint Houston's requested revenue  
20 requirement, this amount should be added back to CenterPoint Houston's rate base.  
21 Additionally, CenterPoint Houston identified \$2,399,970 of BRP and SRP costs  
22 capitalized since the test year end in its last base rate case (2019 through 2023).<sup>78</sup> Like  
23 the non-qualified expenses, the Commission previously determined that the capitalized  
24 portion of non-qualified pension costs should also be excluded from cost of service:

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<sup>74</sup> *Id.* at 47:5-6.

<sup>75</sup> CenterPoint Houston's Response to Staff's 4<sup>th</sup> RFI at Question No. Staff 4-29. *See* Attachment RS-16.

<sup>76</sup> Docket No. 46449, Order on Rehearing at Finding of Fact No. 204.

<sup>77</sup> Errata 3 Schedule II-B-7.

<sup>78</sup> CenterPoint Houston's Response to Staff's 4<sup>th</sup> RFI at Question No. Staff 4-29. *See* Attachment RS-16.

1 The capitalized portion of SWEPCO's supplemental executive retirement  
2 plan (SERP) payments that are financially based properly excluded from  
3 SWEPCO's rate base because they are not reasonable or necessary to  
4 provide utility service to the public, are not in the public interest, and  
5 should not be included in SWEPCO's cost of service.<sup>79</sup>

6 Consistent with this precedent, I recommend removal from rate base CenterPoint  
7 Houston's capitalized BRP and SRP expenses for the period 2019 through 2023.  
8 CenterPoint Houston did not provide an allocation of the capitalized amounts by FERC  
9 account, so I reflect a stand-alone adjustment to remove them from its requested plant in  
10 service balance. I also reflect an associated depreciation expense adjustment of  
11 (\$75,676).

12 **E. Executive Perquisites**

13 **Q. Please describe the executive perquisites included in CenterPoint Houston's**  
14 **requested revenue requirement.**

15 A. CenterPoint Houston explains that it has included items such as executive physicals,  
16 financial planning, and estate planning for its officers in its requested revenue  
17 requirement. The Company identifies \$2,995 of its own executive perquisites and  
18 \$10,411 of allocated executive perquisites that are included in its requested operations  
19 and maintenance expenses.<sup>80</sup>

20 **Q. Please explain your adjustment to executive perquisites.**

21 A. I recommend disallowance of the total \$13,406 of executive perquisites. This is  
22 consistent with the Commission's Order in Docket No. 40443 which noted:

23 The \$16,350 related to executive perquisites should not be included in  
24 rates because they provide no benefit to ratepayers and are not reasonable  
25 or necessary for the provision of electric service.<sup>81</sup>

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<sup>79</sup> Docket No. 46449, Order on Rehearing at Finding of Fact No. 129.

<sup>80</sup> CenterPoint's Response to Staff's 4<sup>th</sup> RFI at Question No. 4-25. See Attachment RS-17.

<sup>81</sup> Docket No. 40443, Order on Rehearing at Finding of Fact No. 221.

The Commission made a similar finding in Docket No. 46449.<sup>82</sup>

The \$4,071 related to executive perquisites should not be included in rates because they provide no benefit to ratepayers and are not reasonable or necessary for the provision of electric service.

**F. Affiliate Carrying Charges**

**Q. What adjustments are you recommending related to CenterPoint Houston's requested affiliate expenses?**

A. I am proposing an adjustment of (\$193,750) to remove the equity-based return on assets charged to CenterPoint Houston by its service company affiliate.<sup>83</sup> My proposed adjustment is based on Commission precedent. In Docket No. 43695, the Commission disallowed such carrying charges on affiliate assets, finding that:

A component of the shared facilities charges SPS incurred from affiliates included the carrying costs associated with those facilities. Because these carrying costs are unnecessary and unreasonable, \$1,564,659 should be removed from SPS's affiliate expense. SPS should also make a corresponding decrease to FERC account 922 of \$1,187,726 in revenue SPS has received related to carrying costs. This results in a net reduction of \$376,933 (total company).<sup>84</sup>

The Commission similarly disallowed a return on affiliate assets in Docket No. 46449:

A component of the shared facilities charges SWEPCO incurred from affiliates included the carrying costs associated with those facilities. Because these carrying costs are unnecessary and unreasonable, \$795,480 should be removed from SWEPCO's affiliate expense. SWEPCO should also make a corresponding decrease to FERC account 922 of \$509,723 in revenue that SWEPCO received related to carrying costs. This results in a net reduction of \$285,757, on a total-company basis.<sup>85</sup>

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<sup>82</sup> Docket No. 46449, Order on Rehearing at Finding of Fact No. 200.

<sup>83</sup> CenterPoint Houston's Response to Staff's 4<sup>th</sup> RFI at Question No. Staff 4-34, Attachment 1. *See* Attachment RS-18.

<sup>84</sup> *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 43695, Order on Rehearing at Finding of Fact No. 137 (Feb. 23, 2016).

<sup>85</sup> Docket No. 46449, Order on Rehearing at Finding of Fact No. 212.



1 **Q. Did CenterPoint Houston receive revenue from its affiliates that included equity**  
2 **carrying charges?**

3 A. I am not aware that CenterPoint Houston received any revenue from its affiliates that  
4 included equity carrying charges. However, if it did receive such revenue, it should  
5 provide that amount by FERC account in its rebuttal testimony so that it can be  
6 appropriately reflected as an offset to the carrying charges that I propose to disallow.

7 **G. Cash Working Capital (CWC)**

8 **Q. Please explain the cash working capital component of rate base.**

9 A. CWC is the amount of funds required to meet operating expenses. The purpose of a cash  
10 working capital allowance is to compensate CenterPoint Houston's investors for funds  
11 provided to pay operating expenses prior to receipt of offsetting revenues from  
12 customers. Depending on the timing of receipt of revenues and payment of expenses, the  
13 allowance can be either a positive or negative amount.

14 **Q. Please explain CenterPoint Houston's cash working capital request.**

15 A. CenterPoint Houston's requested CWC requirement is based on a lead-lag study  
16 performed by its witness Timothy Lyons. Schedule WP II-B-9 presents CenterPoint  
17 Houston's requested CWC in the amount of \$12,168,360 based on the lead-lag study.<sup>86</sup>

18 **Q. Do you take exception to CenterPoint Houston's CWC calculation?**

19 A. Yes. In discovery, I asked CenterPoint Houston to confirm that its requested CWC  
20 allowance includes an amount of CWC attributable to deferred federal income taxes.  
21 CenterPoint Houston denied that its CWC request includes an amount related to deferred  
22 federal income taxes, stating that while WP II-B-9 includes an adjusted amount of

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<sup>86</sup> Errata 3 WP II-B-9. See Attachment RS-19.

1 deferred income taxes of \$134 million, that amount does not contribute to the CWC  
2 requirement because the revenue lag and expense lead days are zero.<sup>87</sup>

3 **Q. Do you agree with CenterPoint Houston's assertion regarding its CWC calculation?**

4 A. No, I do not. Despite CenterPoint Houston's assertions, a review of WP II-B-9  
5 demonstrates that the amount of \$5,180,289 included on line number 11 in the column  
6 labeled "Working Cash Requirement is primarily associated with the \$134 million  
7 deferred tax amount. This is because in addition to correctly calculating the CWC  
8 requirement associated with the current income taxes of (\$1,616,880) using the  
9 associated federal income tax net lead/(lag) days of 14.28 to reach the appropriate  
10 (\$63,258) working cash requirement for income taxes, CenterPoint Houston also  
11 erroneously used the total federal income tax amount of \$132,409,355 and the 14.28 net  
12 lead days to calculate the \$5,180,289 amount in working cash requirement column on  
13 line 11. The \$132,409,355 total income tax amount on line 11 is the sum of the  
14 (\$1,616,880) amount of current income taxes on line 9 and the \$134,026,235 of deferred  
15 income taxes on line 10. Therefore, CenterPoint Houston's CWC request erroneously  
16 includes \$5,180,289 which double-counts the cash working capital associated with  
17 current federal income taxes and is primarily associated with deferred federal income  
18 taxes which is inconsistent with 16 TAC § 25.231(c)(2)(B)(iii)(IV)(-a-) that excludes  
19 non-cash items from the allowance.

20 **Q. What is your recommendation regarding CenterPoint Houston's cash working**  
21 **capital allowance?**

22 A. I recommend exclusion of the \$5,180,289 erroneous amount identified above.  
23 Additionally, I recommend that the flow-through impacts of other adjustments in my  
24 testimony be reflected using CenterPoint Houston's net lead/lag days. This results in my

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<sup>87</sup> CenterPoint Houston's Response to Staff's 4<sup>th</sup> RFI at Question No. Staff 4-1. See Attachment RS-20.

1 total recommended CWC balance of \$7,119,968, which is a decrease of \$5,048,392 to  
2 CenterPoint Houston's request.

3 **H. Federal Income Tax Expense**

4 **Q. Please explain your federal income tax expense calculation.**

5 A. My recommended federal income tax expense is based on a Tax Method 1 calculation  
6 adjusted for the flow-through impacts of Staff's recommended adjustments to  
7 CenterPoint Houston's requested invested capital and the adjustments to the requested  
8 cost of capital (rate of return) as recommended by Mr. Filarowicz. Changes to invested  
9 capital and rate of return impact the allowed return amount and thereby flow through in  
10 the income tax calculation. Based on these flow-through effects, I recommend a total  
11 federal income tax expense amount of \$113,926,067, a reduction of \$18,385,918 to  
12 CenterPoint Houston's request.

13 **I. Texas Margins Tax**

14 **Q. What adjustment are you proposing to CenterPoint Houston's requested Texas**  
15 **margins tax expense?**

16 A. Similar to my federal income tax adjustment, I propose an adjustment of (\$630,047) to  
17 CenterPoint Houston's requested Texas margins tax expense to reflect the flow-through  
18 impacts of other Staff adjustments to the requested revenue requirement. Because  
19 CenterPoint Houston uses the cost of goods sold methodology to determine its Texas  
20 margins tax, I also used that method to determine my adjustment. My adjustment applies  
21 the 0.75% margins tax rate to Staff's total adjustments to CenterPoint Houston's  
22 requested revenue requirement to reach my recommended Texas margins tax of  
23 adjustment of (\$630,047) to CenterPoint Houston's request. Subtracting this amount  
24 from CenterPoint Houston's requested Texas margins tax expense of \$27,505,545 yields  
25 my recommended Texas margins tax expense of \$26,875,498.

**J. Ad Valorem Tax Expense**

**Q. Please explain your adjustment to CenterPoint Houston's requested ad valorem tax expense.**

A. As presented on Attachment RS-21, I propose a reduction of \$858,991 to CenterPoint Houston's requested ad valorem tax expense. This adjustment is a flow-through adjustment based Mr. Poole's proposed plant in service reductions combined with my proposed adjustment to plant in service for capitalized non-qualified pension costs. It is appropriate to reduce ad valorem tax expense based on the recommended reductions to plant in service. My calculation is based on the methodology CenterPoint Houston used to adjust its test year ad valorem taxes at WP E-2 Adj. 3.<sup>88</sup> I first calculated the Staff proposed percentage decrease to plant in service and then applied that percentage to CenterPoint Houston's requested ad valorem tax expense, yielding my proposed adjustment to ad valorem tax expense of (\$858,991).

**Q. Does this conclude your testimony?**

A. Yes.

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<sup>88</sup> See Attachment RS-21.

SOAH DOCKET NO. 473-24-13232

PUC DOCKET NO. 56211

COMPANY NAME CenterPoint Energy Houston Electric

TEST YEAR END 31-Dec-23

Schedule I  
Revenue Requirement

|                                     | Test Year<br>Total<br>(a) | Company<br>Adjustments<br>To Test Year<br>(b) | Company<br>Requested<br>Test Year<br>Total Electric<br>(c) | Adjustments<br>To Company<br>Request<br>(d) | Adjusted<br>Total Electric<br>(e) = (c) + (d) |
|-------------------------------------|---------------------------|-----------------------------------------------|------------------------------------------------------------|---------------------------------------------|-----------------------------------------------|
| <b>COST OF SERVICE</b>              |                           |                                               |                                                            |                                             |                                               |
| Operations & Maintenance            | \$ 1,674,846,443          | \$ 271,394,176                                | \$ 1,946,240,619                                           | \$ (1,591,921)                              | \$ 1,944,648,698                              |
| Depreciation & Amortization Expense | \$ 568,462,588            | \$ 14,699,433                                 | \$ 583,162,021                                             | \$ (3,428,963)                              | \$ 579,733,058                                |
| Taxes Other Than Income Taxes       | \$ 306,719,437            | \$ 22,861,986                                 | \$ 329,581,423                                             | \$ (1,489,037)                              | \$ 328,092,386                                |
| Federal Income Taxes                | \$ 128,901,175            | \$ 3,410,810                                  | \$ 132,311,985                                             | \$ (18,385,918)                             | \$ 113,926,067                                |
| Return on Invested Capital          | \$ 962,211,266            | \$ (111,950,505)                              | \$ 850,260,761                                             | \$ (59,110,409)                             | \$ 791,150,352                                |
| <b>TOTAL COST OF SERVICE</b>        | <b>\$ 3,641,140,909</b>   | <b>\$ 200,415,900</b>                         | <b>\$ 3,841,556,809</b>                                    | <b>\$ (84,006,249)</b>                      | <b>\$ 3,757,550,560</b>                       |

I-A-1

SOAH DOCKET NO. 473-24-13232  
PUC DOCKET NO. 56211  
COMPANY NAME CenterPoint Energy Houston Electric  
TEST YEAR END 31-Dec-23

Run Schedule II  
O&M Expense

| OPERATIONS AND MAINTENANCE EXPENSE         |          | Test Year<br>Total<br>(a) | Company<br>Adjustments<br>To Test Year<br>(b) | Company<br>Requested<br>Test Year<br>Total Electric<br>(c) | Adjustments<br>To Company<br>Request<br>(d) | Adjusted<br>Total Electric<br>(e) = (c) + (d) |
|--------------------------------------------|----------|---------------------------|-----------------------------------------------|------------------------------------------------------------|---------------------------------------------|-----------------------------------------------|
|                                            | Acct. No |                           |                                               |                                                            |                                             |                                               |
| Operations & Maintenance:                  |          |                           |                                               |                                                            |                                             |                                               |
| Transmission Ops Supr & Engr               | 560      | \$ 8,597,554              | \$ 91,807                                     | \$ 8,689,361                                               | \$ (27,578)                                 | \$ 8,661,783                                  |
| Load Dispatch - Reliability                | 561.1    | \$ 23,457                 | \$ 2,487                                      | \$ 25,944                                                  | \$ -                                        | \$ 25,944                                     |
| Load Dispatch - Monitor/Operate            | 561.2    | \$ 3,412,634              | \$ 15,192                                     | \$ 3,427,826                                               | \$ -                                        | \$ 3,427,826                                  |
| Load Dispatch - Serv/Sch                   | 561.3    | \$ 75,541                 | \$ 6,165                                      | \$ 81,706                                                  | \$ -                                        | \$ 81,706                                     |
| Load Dispatch - Sch/Con/Disp Serv          | 561.4    | \$ 2,779,069              | \$ (1,761)                                    | \$ 2,777,308                                               | \$ -                                        | \$ 2,777,308                                  |
| Rel/Plant/Standards Dev. Serv.             | 561.5    | \$ 938,279                | \$ (19,351)                                   | \$ 918,928                                                 | \$ -                                        | \$ 918,928                                    |
| General Studies                            | 561.7    | \$ 336,147                | \$ (16,395)                                   | \$ 319,752                                                 | \$ -                                        | \$ 319,752                                    |
| Transmission Station Equipment             | 562      | \$ 197,078                | \$ 71,152                                     | \$ 268,230                                                 | \$ -                                        | \$ 268,230                                    |
| Trans OH Line Expense                      | 563      | \$ 818,371                | \$ 72,120                                     | \$ 890,491                                                 | \$ -                                        | \$ 890,491                                    |
| Underground Line Expenses                  | 564      | \$ 269                    | \$ -                                          | \$ 269                                                     | \$ -                                        | \$ 269                                        |
| Transmission of Electricity by Others (Wh) | 565      | \$ 1,102,891,149          | \$ 303,930,309                                | \$ 1,406,821,458                                           | \$ -                                        | \$ 1,406,821,458                              |
| Misc. Transmission Expenses                | 566      | \$ 3,309,671              | \$ 124,922                                    | \$ 3,434,593                                               | \$ -                                        | \$ 3,434,593                                  |
| Rents                                      | 567      | \$ 317,499                | \$ -                                          | \$ 317,499                                                 | \$ -                                        | \$ 317,499                                    |
| Maint. Of Structures                       | 569      | \$ 611,995                | \$ 97,080                                     | \$ 709,075                                                 | \$ -                                        | \$ 709,075                                    |
| Transmission Maint Station Equip           | 570      | \$ 11,375,686             | \$ 300,011                                    | \$ 11,675,697                                              | \$ -                                        | \$ 11,675,697                                 |
| Transmission Maint OH Line Exp             | 571      | \$ 17,641,917             | \$ 149,465                                    | \$ 17,791,382                                              | \$ -                                        | \$ 17,791,382                                 |
| Maint. Of Underground Lines                | 572      | \$ 269                    | \$ -                                          | \$ 269                                                     | \$ -                                        | \$ 269                                        |
| Maint. Of Misc. Transmission               | 573      | \$ 621,607                | \$ (2,772)                                    | \$ 618,835                                                 | \$ -                                        | \$ 618,835                                    |
| Distribution Ops Supr & Engr               | 580      | \$ 22,492,623             | \$ 731,483                                    | \$ 23,224,106                                              | \$ (69,007)                                 | \$ 23,155,099                                 |
| Distribution Load Dispatching              | 581      | \$ 3,389,984              | \$ 47,648                                     | \$ 3,437,632                                               | \$ -                                        | \$ 3,437,632                                  |
| Distribution Station Expenses              | 582      | \$ 794,209                | \$ 250,433                                    | \$ 1,044,642                                               | \$ -                                        | \$ 1,044,642                                  |
| Distribution OH Line Expenses              | 583      | \$ 3,121,087              | \$ 903,370                                    | \$ 4,024,457                                               | \$ -                                        | \$ 4,024,457                                  |
| Underground Line Expenses                  | 584      | \$ 12,057,268             | \$ 849,634                                    | \$ 12,906,902                                              | \$ -                                        | \$ 12,906,902                                 |
| Street Lighting & Signal Sys               | 585      | \$ 39,809                 | \$ (6,417)                                    | \$ 33,392                                                  | \$ -                                        | \$ 33,392                                     |
| Meter Expenses                             | 586      | \$ 22,512,468             | \$ 961,015                                    | \$ 23,473,483                                              | \$ -                                        | \$ 23,473,483                                 |
| Customer Installations                     | 587      | \$ 2,794,161              | \$ 228,902                                    | \$ 3,023,063                                               | \$ -                                        | \$ 3,023,063                                  |
| Miscellaneous Distribution Exp             | 588      | \$ 29,617,903             | \$ 268,449                                    | \$ 29,886,352                                              | \$ (13)                                     | \$ 29,886,339                                 |
| Rents                                      | 589      | \$ -                      | \$ -                                          | \$ -                                                       | \$ -                                        | \$ -                                          |
| Distribution Maint Supr & Engr             | 590      | \$ 3,881,205              | \$ (153,600)                                  | \$ 3,727,605                                               | \$ -                                        | \$ 3,727,605                                  |
| Maint. Of Structures                       | 591      | \$ 1,123,988              | \$ 4,270                                      | \$ 1,128,258                                               | \$ -                                        | \$ 1,128,258                                  |
| Distribution Maint Station Equip           | 592      | \$ 12,438,001             | \$ 324,498                                    | \$ 12,762,499                                              | \$ -                                        | \$ 12,762,499                                 |
| Distribution Maint OH lines                | 593      | \$ 80,322,953             | \$ 1,450,258                                  | \$ 81,773,211                                              | \$ -                                        | \$ 81,773,211                                 |
| Underground Line Expenses                  | 594      | \$ 12,788,332             | \$ 220,042                                    | \$ 13,008,374                                              | \$ -                                        | \$ 13,008,374                                 |
| Dist Maint Line Trnf, Regulators           | 595      | \$ 4,588,981              | \$ -                                          | \$ 4,588,981                                               | \$ -                                        | \$ 4,588,981                                  |
| MaintStreet Light & Signal Sys             | 596      | \$ 2,261,942              | \$ 60,923                                     | \$ 2,322,865                                               | \$ -                                        | \$ 2,322,865                                  |
| Maintenance of Meters                      | 597      | \$ 4,514,290              | \$ (242)                                      | \$ 4,514,048                                               | \$ -                                        | \$ 4,514,048                                  |
| Maint of Misc Distr Plant                  | 598      | \$ 625,779                | \$ (1,342)                                    | \$ 624,437                                                 | \$ -                                        | \$ 624,437                                    |
| Meter Reading Exp                          | 902      | \$ 1,156,552              | \$ (313)                                      | \$ 1,156,239                                               | \$ (3,059)                                  | \$ 1,153,180                                  |
| Customer Records & Collection              | 903      | \$ 15,898,949             | \$ 28,633                                     | \$ 15,927,582                                              | \$ (6,468)                                  | \$ 15,921,114                                 |
| Uncollectible Accounts                     | 904      | \$ -                      | \$ 1,578,674                                  | \$ 1,578,674                                               | \$ -                                        | \$ 1,578,674                                  |
| Effective Rate                             |          |                           |                                               | 0.000000000000                                             |                                             | 0.000000000000                                |
| Supervision                                | 907      | \$ 810,359                | \$ (810,468)                                  | \$ (109)                                                   | \$ -                                        | \$ (109)                                      |
| Customer Assistance                        | 908      | \$ 41,102,386             | \$ (39,450,063)                               | \$ 1,652,323                                               | \$ (2,500)                                  | \$ 1,649,823                                  |
| Information & Instr Advertising            | 909      | \$ 228,622                | \$ (1,519)                                    | \$ 227,103                                                 | \$ -                                        | \$ 227,103                                    |
| Misc. Cust. Service and Information        | 910      | \$ 167,750                | \$ (123)                                      | \$ 167,627                                                 | \$ -                                        | \$ 167,627                                    |
| TOTAL Operations & Maintenance             |          | 1,432,677,793             | 272,304,576                                   | 1,704,982,369                                              | (108,625)                                   | 1,704,873,744                                 |

SOAH DOCKET NO. 473-24-13232  
PUC DOCKET NO. 56211  
COMPANY NAME CenterPoint Energy Houston Electric  
TEST YEAR END 31-Dec-23

Schedule II  
O&M Expense

| ADMINISTRATIVE AND GENERAL EXPENSES |       | Test Year<br>Total<br>(a) | Company<br>Adjustments<br>To Test Year<br>(b) | Company<br>Requested<br>Test Year<br>Total Electric<br>(c) | Adjustments<br>To Company<br>Request<br>(d) | Adjusted<br>Total Electric<br>(e) = (c) + (d) |
|-------------------------------------|-------|---------------------------|-----------------------------------------------|------------------------------------------------------------|---------------------------------------------|-----------------------------------------------|
| Administrative & General:           |       |                           |                                               |                                                            |                                             |                                               |
| Admin & General Salaries            | 920   | \$ 690,737                | \$ 29,141                                     | \$ 719,878                                                 | \$ -                                        | \$ 719,878                                    |
| Office Supplies & Exp               | 921   | \$ 570,471                | \$ (166)                                      | \$ 570,305                                                 | \$ -                                        | \$ 570,305                                    |
| Outside Services                    | 923   | \$ 1,370,028              | \$ -                                          | \$ 1,370,028                                               | \$ -                                        | \$ 1,370,028                                  |
| Property Insurance                  | 924   | \$ 9,955,475              | \$ 17,446,333                                 | \$ 27,401,808                                              | \$ -                                        | \$ 27,401,808                                 |
| Injuries & Damages                  | 925   | \$ 24,287,092             | \$ 685,005                                    | \$ 24,972,097                                              | \$ -                                        | \$ 24,972,097                                 |
| Employee Pensions & Benefits        | 926   | \$ 52,924,447             | \$ (15,399,823)                               | \$ 37,524,624                                              | \$ (1,383,132)                              | \$ 36,141,492                                 |
| Regulatory Commission Exp           | 928   | \$ 51,860                 | \$ (51,860)                                   | \$ -                                                       | \$ -                                        | \$ -                                          |
| General Advertising Exp             | 930.1 | \$ 651,667                | \$ (345,111)                                  | \$ 306,556                                                 | \$ -                                        | \$ 306,556                                    |
| Miscellaneous General Exp           | 930.2 | \$ 140,696,944            | \$ (3,273,918)                                | \$ 137,423,026                                             | \$ (100,164)                                | \$ 137,322,862                                |
| Rents                               | 931   | \$ 9,899,713              | \$ -                                          | \$ 9,899,713                                               | \$ -                                        | \$ 9,899,713                                  |
| Maint. Of General Plant             | 935   | \$ 1,070,216              | \$ (1)                                        | \$ 1,070,215                                               | \$ -                                        | \$ 1,070,215                                  |
| TOTAL Administrative & General      |       | 242,168,650               | (910,400)                                     | 241,258,250                                                | (1,483,296)                                 | 239,774,954                                   |
| <b>TOTAL O &amp; M EXPENSE</b>      |       | <b>1,674,846,443</b>      | <b>271,394,176</b>                            | <b>\$ 1,946,240,619</b>                                    | <b>(1,591,921)</b>                          | <b>\$ 1,944,648,698</b>                       |

SOAH DOCKET NO. 473-24-13232  
PUC DOCKET NO. 56211  
COMPANY NAME CenterPoint Energy Houston Electric  
TEST YEAR END 31-Dec-23

Schedule III  
Invested Capital

|                                           | Test Year<br>Total<br>(a) | Company<br>Adjustments<br>To Test Year<br>(b) | Company<br>Requested<br>Test Year<br>Total Electric<br>(c) | Adjustments<br>To Company<br>Request<br>(d) | Adjusted<br>Total Electric<br>(e) = (c) + (d) |
|-------------------------------------------|---------------------------|-----------------------------------------------|------------------------------------------------------------|---------------------------------------------|-----------------------------------------------|
| <b>INVESTED CAPITAL</b>                   | II-B                      |                                               |                                                            |                                             |                                               |
| Plant in Service                          | \$ 17,832,677,019         | \$ (37,510,853)                               | \$ 17,795,166,166                                          | \$ (120,503,919)                            | \$ 17,674,662,247                             |
| Accumulated Depreciation                  | \$ (4,427,157,386)        | \$ 22,714,368                                 | \$ (4,404,443,018)                                         | \$ -                                        | \$ (4,404,443,018)                            |
| Net Plant In Service                      | \$ 13,405,519,633         | \$ (14,796,485)                               | \$ 13,390,723,148                                          | \$ (120,503,919)                            | \$ 13,270,219,229                             |
| Construction Work in Progress & RWIP      | \$ 1,067,127,699          | \$ (1,067,127,699)                            | \$ -                                                       | \$ -                                        | \$ -                                          |
| Plant Held for Future Use                 | \$ 10,452,078             | \$ (4,192,438)                                | \$ 6,259,640                                               | \$ -                                        | \$ 6,259,640                                  |
| Accumulated Provisions                    | \$ 18,550,490             | \$ 5,684,575                                  | \$ 24,235,065                                              | \$ 5,278,000                                | \$ 29,513,065                                 |
| Accumulated Deferred Federal Income Taxes | \$ (1,428,931,365)        | \$ 157,952,565                                | \$ (1,270,978,800)                                         | \$ -                                        | \$ (1,270,978,800)                            |
| Materials and Supplies                    | \$ 449,428,267            | \$ (64,222,156)                               | \$ 385,206,111                                             | \$ -                                        | \$ 385,206,111                                |
| Cash Working Capital                      | \$ 62,597,133             | \$ (50,428,773)                               | \$ 12,168,360                                              | \$ (5,048,392)                              | \$ 7,119,968                                  |
| Prepayments                               | \$ 35,532,670             | \$ 34,957,557                                 | \$ 70,490,227                                              | \$ -                                        | \$ 70,490,227                                 |
| Customer Deposits                         | \$ (37,446,336)           | \$ 37,106,170                                 | \$ (340,166)                                               | \$ -                                        | \$ (340,166)                                  |
| Regulatory Liabilities                    | \$ (933,697,180)          | \$ 167,231,322                                | \$ (766,465,858)                                           | \$ -                                        | \$ (766,465,858)                              |
| Regulatory Assets                         | \$ 1,034,925,341          | \$ (794,265,360)                              | \$ 240,659,981                                             | \$ -                                        | \$ 237,968,290                                |
| <b>TOTAL INVESTED CAPITAL (RATE BASE)</b> | <b>\$ 13,684,058,430</b>  | <b>\$ (1,592,100,722)</b>                     | <b>\$ 12,091,957,708</b>                                   | <b>\$ (122,966,002)</b>                     | <b>\$ 11,968,991,706</b>                      |
| <b>RATE OF RETURN</b>                     | <b>7.03%</b>              |                                               | <b>7.03%</b>                                               |                                             | <b>6.61%</b>                                  |
| <b>RETURN ON INVESTED CAPITAL</b>         | <b>\$ 962,211,266</b>     | <b>\$ (111,950,505)</b>                       | <b>\$ 850,260,761</b>                                      | <b>\$ (59,110,409)</b>                      | <b>\$ 791,150,352</b>                         |



SOAH DOCKET NO. 473-24-13232  
PUC DOCKET NO. 56211  
COMPANY NAME CenterPoint Energy Houston Electric  
TEST YEAR END 31-Dec-23

Schedule IIIA  
Electric Plant in Service

|                                                                |          |    | Test Year<br>Total<br>(a) | Company<br>Adjustments<br>To Test Year<br>(b) | Company<br>Requested<br>Test Year<br>Total Electric<br>(c) | Adjustments<br>To Company<br>Request<br>(d) | Adjusted<br>Total Electric<br>(e) = (c) + (d) |
|----------------------------------------------------------------|----------|----|---------------------------|-----------------------------------------------|------------------------------------------------------------|---------------------------------------------|-----------------------------------------------|
| <b>Electric Plant In Service</b>                               |          |    |                           |                                               |                                                            |                                             |                                               |
| Intangible Plant                                               |          |    |                           |                                               |                                                            |                                             |                                               |
| Misc Intangible Plant                                          | 30302    | \$ | 36,348,183                |                                               | \$ 36,348,183                                              |                                             | \$ 36,348,183                                 |
| Intangible EFM 5 yr                                            | 30302-5  | \$ | 45,384,489                |                                               | \$ 45,384,489                                              |                                             | \$ 45,384,489                                 |
| Intangible EFM 7 yr                                            | 30302-7  | \$ | 29,554,348                |                                               | \$ 29,554,348                                              |                                             | \$ 29,554,348                                 |
| Intangible EFM 10 yr                                           | 30302-10 | \$ | 251,796,581               | \$ -                                          | \$ 251,796,581                                             | \$ -                                        | \$ 251,796,581                                |
| Intangible EFM 15 yr                                           | 30302-15 | \$ | 138,568,356               | \$ -                                          | \$ 138,568,356                                             | \$ -                                        | \$ 138,568,356                                |
| Total Intangible Plant                                         | II-B-1   | \$ | 501,651,957               | \$ -                                          | \$ 501,651,957                                             | \$ -                                        | \$ 501,651,957                                |
| Transmission Plant                                             |          |    |                           |                                               |                                                            |                                             |                                               |
| Land & Land Fees                                               | 350.01   | \$ | 62,420,686                | \$ (1,408)                                    | \$ 62,419,278                                              | \$ (266,243)                                | \$ 62,153,035                                 |
| Land & Land Rights                                             | 350.02   | \$ | 156,064,253               | \$ (2,868)                                    | \$ 156,061,385                                             | \$ (14,423)                                 | \$ 156,046,962                                |
| Structures and Improv                                          | 352      | \$ | 241,905,202               | \$ (85,241)                                   | \$ 241,839,961                                             | \$ (949,575)                                | \$ 240,890,386                                |
| Station Equipment                                              | 353      | \$ | 1,415,971,496             | \$ (269,279)                                  | \$ 1,415,702,217                                           | \$ (9,352,508)                              | \$ 1,406,349,709                              |
| Towers & Fixtures                                              | 354      | \$ | 1,711,085,724             | \$ (263,730)                                  | \$ 1,710,821,994                                           | \$ (33,949,351)                             | \$ 1,676,872,643                              |
| Poles & Fixtures                                               | 355      | \$ | 186,913,450               | \$ (34,610)                                   | \$ 186,878,840                                             | \$ (1,277,380)                              | \$ 185,601,460                                |
| Overhead Conductors & D                                        | 356      | \$ | 1,210,802,268             | \$ (126,341)                                  | \$ 1,210,675,927                                           | \$ (35,271,936)                             | \$ 1,175,403,991                              |
| Underground Conduit                                            | 357      | \$ | 38,232,025                | \$ -                                          | \$ 38,232,025                                              | \$ -                                        | \$ 38,232,025                                 |
| Underground Conductor                                          | 358      | \$ | 16,481,347                | \$ (5,845)                                    | \$ 16,475,502                                              | \$ -                                        | \$ 16,475,502                                 |
| Roads and Trails                                               | 359      | \$ | 565,883,308               | \$ (327,144)                                  | \$ 565,556,164                                             | \$ (34,809,824)                             | \$ 530,746,340                                |
| Total Transmission Plant                                       | II-B-1   | \$ | 5,605,759,759             | \$ (1,096,466)                                | \$ 5,604,663,293                                           | \$ (115,891,240)                            | \$ 5,488,772,053                              |
| Distribution Plant                                             |          |    |                           |                                               |                                                            |                                             |                                               |
| Land & Land Fees                                               | 360.01   | \$ | 145,258,315               | \$ (44,744)                                   | \$ 145,213,571                                             | \$ (33,565)                                 | \$ 145,180,006                                |
| Land & Land Rights                                             | 360.02   | \$ | 1,359,745                 | \$ (350)                                      | \$ 1,359,395                                               | \$ -                                        | \$ 1,359,395                                  |
| Structure and Improve                                          | 361      | \$ | 164,543,058               | \$ (41,544)                                   | \$ 164,501,514                                             | \$ (300,042)                                | \$ 164,201,472                                |
| Station Equipment                                              | 362      | \$ | 1,543,533,769             | \$ (284,934)                                  | \$ 1,543,248,835                                           | \$ (1,699,122)                              | \$ 1,541,549,713                              |
| Poles, Towers & Fixtures                                       | 364      | \$ | 1,397,970,176             | \$ (488,763)                                  | \$ 1,397,481,413                                           | \$ (43,203)                                 | \$ 1,397,438,210                              |
| OH Conductors & Devices                                        | 365      | \$ | 1,454,568,543             | \$ (365,007)                                  | \$ 1,454,203,536                                           | \$ (76,345)                                 | \$ 1,454,127,191                              |
| Underground Conduit                                            | 366      | \$ | 787,427,197               | \$ (109,473)                                  | \$ 787,317,724                                             | \$ (11,452)                                 | \$ 787,306,272                                |
| UG Con & Devices                                               | 367      | \$ | 1,468,449,995             | \$ (253,611)                                  | \$ 1,468,196,384                                           | \$ (4,902)                                  | \$ 1,468,191,482                              |
| Line Transformers                                              | 368      | \$ | 1,999,539,465             | \$ (620,515)                                  | \$ 1,998,918,950                                           | \$ -                                        | \$ 1,998,918,950                              |
| Services                                                       | 369      | \$ | 256,120,152               | \$ (37,536)                                   | \$ 256,082,616                                             | \$ -                                        | \$ 256,082,616                                |
| Meters                                                         | 370.01   | \$ | 81,476,042                | \$ (5,894)                                    | \$ 81,470,148                                              | \$ -                                        | \$ 81,470,148                                 |
| Meters                                                         | 370.03   | \$ | 256,502,384               | \$ (61,802)                                   | \$ 256,440,582                                             | \$ -                                        | \$ 256,440,582                                |
| Street Lights                                                  | 373.01   | \$ | 770,277,087               | \$ (86,491)                                   | \$ 770,190,596                                             | \$ -                                        | \$ 770,190,596                                |
| Security Lighting                                              | 373.02   | \$ | 14,830,396                | \$ (1,687)                                    | \$ 14,828,709                                              | \$ -                                        | \$ 14,828,709                                 |
| Security Lighting                                              | 374.01   | \$ | 290                       | \$ (290)                                      | \$ -                                                       | \$ -                                        | \$ -                                          |
| ARO                                                            | 374.03   | \$ | 17,812,110                | \$ (17,812,110)                               | \$ -                                                       | \$ -                                        | \$ -                                          |
| Total Distribution Plant                                       | II-B-1   | \$ | 10,359,668,724            | \$ (20,214,751)                               | \$ 10,339,453,973                                          | \$ (2,168,631)                              | \$ 10,337,285,342                             |
| General Plant                                                  |          |    |                           |                                               |                                                            |                                             |                                               |
| Land and Land Fees                                             | 389.01   | \$ | 28,848,684                | \$ -                                          | \$ 28,848,684                                              | \$ -                                        | \$ 28,848,684                                 |
| Land and Land Rights                                           | 389.02   | \$ | 1,021,980                 | \$ -                                          | \$ 1,021,980                                               | \$ -                                        | \$ 1,021,980                                  |
| Structures & Improvements                                      | 390      | \$ | 348,826,578               | \$ (18,216)                                   | \$ 348,808,362                                             | \$ -                                        | \$ 348,808,362                                |
| Office Furn & Equip                                            | 391      | \$ | 15,084,158                | \$ (931)                                      | \$ 15,083,227                                              | \$ -                                        | \$ 15,083,227                                 |
| Transportation & Equip                                         | 392      | \$ | 184,252,806               | \$ (46,067)                                   | \$ 184,206,739                                             | \$ -                                        | \$ 184,206,739                                |
| Store Equip                                                    | 393      | \$ | 1,053,132                 | \$ (488)                                      | \$ 1,052,644                                               | \$ -                                        | \$ 1,052,644                                  |
| Tools, Shop, & Garage                                          | 394      | \$ | 29,405,854                | \$ (8,776)                                    | \$ 29,397,078                                              | \$ -                                        | \$ 29,397,078                                 |
| Laboratory Equip                                               | 395      | \$ | 24,359,515                | \$ (3,517,153)                                | \$ 20,842,362                                              | \$ -                                        | \$ 20,842,362                                 |
| Power Operated Equip                                           | 396      | \$ | 35,176,486                | \$ (11,487)                                   | \$ 35,164,999                                              | \$ -                                        | \$ 35,164,999                                 |
| Misc Equip                                                     | 398      | \$ | 18,459,721                | \$ (4,932)                                    | \$ 18,454,789                                              | \$ -                                        | \$ 18,454,789                                 |
| ARO                                                            | 399.11   | \$ | 9,366,198                 | \$ (9,366,198)                                | \$ -                                                       | \$ -                                        | \$ -                                          |
| Total General Plant                                            | II-B-2   | \$ | 695,655,112               | \$ (12,974,248)                               | \$ 682,680,864                                             | \$ -                                        | \$ 682,680,864                                |
| Communications Plant                                           |          |    |                           |                                               |                                                            |                                             |                                               |
| Microwave Equipment                                            | 397.01   | \$ | 496,938,662               | \$ (54,651)                                   | \$ 496,884,011                                             | \$ -                                        | \$ 496,884,011                                |
| Computer Equipment                                             | 397.02   | \$ | 172,802,801               | \$ (3,170,736)                                | \$ 169,632,065                                             | \$ (44,078)                                 | \$ 169,587,987                                |
| Total Communications Equipment                                 | II-B-3   | \$ | 669,741,463               | \$ (3,225,387)                                | \$ 666,516,076                                             | \$ (44,078)                                 | \$ 666,471,998                                |
|                                                                |          |    |                           |                                               |                                                            | \$ -                                        | \$ -                                          |
|                                                                |          |    |                           |                                               |                                                            | \$ -                                        | \$ -                                          |
|                                                                |          |    |                           |                                               |                                                            | \$ -                                        | \$ -                                          |
| Adjustment to Remove Capitalized Non-Qualified Pension Expense |          |    |                           |                                               |                                                            | \$ (2,399,970)                              | \$ (2,399,970)                                |
| <b>Total Electric PIS</b>                                      |          | \$ | <b>17,832,677,015</b>     | \$ <b>(37,510,852)</b>                        | \$ <b>17,795,166,163</b>                                   | \$ <b>(120,503,919)</b>                     | \$ <b>17,674,662,244</b>                      |

SOAH DOCKET NO. 473-24-13232  
PUC DOCKET NO. 56211  
COMPANY NAME CenterPoint Energy Houston Electric  
TEST YEAR END 31-Dec-23

Schedule III-B  
Invested Capital

|                                           |        |    | Test Year<br>Total   |    | Company<br>Adjustments<br>To Test Year |    | Company<br>Requested<br>Test Year<br>Total Electric |    | Adjustments<br>To Company<br>Request |    | Adjusted<br>Total Electric<br>(e) = (c) + (d) |
|-------------------------------------------|--------|----|----------------------|----|----------------------------------------|----|-----------------------------------------------------|----|--------------------------------------|----|-----------------------------------------------|
|                                           | II-B-5 |    | (a)                  |    | (b)                                    |    | (c)                                                 |    | (d)                                  |    | (e)                                           |
| <b>Intangible Plant - Accumulated Dep</b> |        |    |                      |    |                                        |    |                                                     |    |                                      |    |                                               |
| Misc Intangible Plant - MF                | 303.01 | \$ | (88,963)             | \$ | -                                      | \$ | (88,963)                                            | \$ | -                                    | \$ | (88,963)                                      |
| Misc Intangible Plant                     | 303.02 | \$ | 24,465,304           |    |                                        | \$ | 24,465,304                                          |    |                                      | \$ | 24,465,304                                    |
| Intangible EFM 5 yr                       | 303.05 | \$ | 11,153,159           |    |                                        | \$ | 11,153,159                                          |    |                                      | \$ | 11,153,159                                    |
| Intangible EFM 7 yr                       | 303.07 | \$ | 14,001,396           |    |                                        | \$ | 14,001,396                                          |    |                                      | \$ | 14,001,396                                    |
| Intangible EFM 10 yr                      | 303.1  | \$ | 131,632,045          |    |                                        | \$ | 131,632,045                                         |    |                                      | \$ | 131,632,045                                   |
| Intangible EFM 15 yr                      | 303.15 | \$ | 36,732,471           | \$ | -                                      | \$ | 36,732,471                                          | \$ | -                                    | \$ | 36,732,471                                    |
|                                           |        | \$ | 217,895,412          | \$ | -                                      | \$ | 217,895,412                                         | \$ | -                                    | \$ | 217,895,412                                   |
| <b>Transmission Plant - Acc. Dep.</b>     |        |    |                      |    |                                        |    |                                                     |    |                                      |    |                                               |
| Land and Land Fees                        | 350.01 | \$ | -                    | \$ | -                                      | \$ | -                                                   | \$ | -                                    | \$ | -                                             |
| Land and Land Rights                      | 350.02 | \$ | 27,042,708           | \$ | -                                      | \$ | 27,042,708                                          | \$ | -                                    | \$ | 27,042,708                                    |
| Structures & Improve                      | 352    | \$ | 29,318,070           | \$ | -                                      | \$ | 29,318,070                                          | \$ | -                                    | \$ | 29,318,070                                    |
| Station and Equipment                     | 353    | \$ | 207,025,110          | \$ | -                                      | \$ | 207,025,110                                         | \$ | -                                    | \$ | 207,025,110                                   |
| Towers and Fixtures                       | 354    | \$ | 259,331,353          | \$ | -                                      | \$ | 259,331,353                                         | \$ | -                                    | \$ | 259,331,353                                   |
| Poles and Fixtures                        | 355    | \$ | (2,954,922)          | \$ | -                                      | \$ | (2,954,922)                                         | \$ | -                                    | \$ | (2,954,922)                                   |
| OH Conductores & Dev                      | 356    | \$ | 251,726,100          | \$ | -                                      | \$ | 251,726,100                                         | \$ | -                                    | \$ | 251,726,100                                   |
| Underground Conduit                       | 357    | \$ | 10,081,399           | \$ | -                                      | \$ | 10,081,399                                          | \$ | -                                    | \$ | 10,081,399                                    |
| Underground Conductors a                  | 358    | \$ | 3,145,325            | \$ | -                                      | \$ | 3,145,325                                           | \$ | -                                    | \$ | 3,145,325                                     |
| Roads and Trails                          | 359    | \$ | 20,093,410           | \$ | -                                      | \$ | 20,093,410                                          | \$ | -                                    | \$ | 20,093,410                                    |
|                                           |        | \$ | 804,808,553          | \$ | -                                      | \$ | 804,808,553                                         | \$ | -                                    | \$ | 804,808,553                                   |
| <b>Distribution Plant - Acc. Dep.</b>     |        |    |                      |    |                                        |    |                                                     |    |                                      |    |                                               |
| Land and Land Fees                        | 360.01 | \$ | -                    | \$ | -                                      | \$ | -                                                   | \$ | -                                    | \$ | -                                             |
| Land and Land Rights                      | 360.02 | \$ | 739,784              | \$ | -                                      | \$ | 739,784                                             | \$ | -                                    | \$ | 739,784                                       |
| Structures and Improvem.                  | 361    | \$ | 40,392,714           | \$ | -                                      | \$ | 40,392,714                                          | \$ | -                                    | \$ | 40,392,714                                    |
| Station Equipment                         | 362    | \$ | 406,583,458          | \$ | -                                      | \$ | 406,583,458                                         | \$ | -                                    | \$ | 406,583,458                                   |
| Storage Battery Equip                     | 363    | \$ | -                    | \$ | -                                      | \$ | -                                                   | \$ | -                                    | \$ | -                                             |
| Poles, Towers & Fixtures                  | 364    | \$ | 380,599,354          | \$ | -                                      | \$ | 380,599,354                                         | \$ | -                                    | \$ | 380,599,354                                   |
| OH Conductors & Dev                       | 365    | \$ | 391,170,964          | \$ | -                                      | \$ | 391,170,964                                         | \$ | -                                    | \$ | 391,170,964                                   |
| Underground Conduits                      | 366    | \$ | 267,659,774          | \$ | -                                      | \$ | 267,659,774                                         | \$ | -                                    | \$ | 267,659,774                                   |
| UG Conductors & Dev                       | 367    | \$ | 501,534,377          | \$ | -                                      | \$ | 501,534,377                                         | \$ | -                                    | \$ | 501,534,377                                   |
| Line Transformers                         | 368    | \$ | 544,983,761          | \$ | -                                      | \$ | 544,983,761                                         | \$ | -                                    | \$ | 544,983,761                                   |
| Services                                  | 369    | \$ | 119,146,810          | \$ | -                                      | \$ | 119,146,810                                         | \$ | -                                    | \$ | 119,146,810                                   |
| Meters                                    | 370.01 | \$ | 66,043,088           | \$ | -                                      | \$ | 66,043,088                                          | \$ | -                                    | \$ | 66,043,088                                    |
| Advanced Meters                           | 370.02 | \$ | -                    | \$ | -                                      | \$ | -                                                   | \$ | -                                    | \$ | -                                             |
| Automated Meters                          | 370.03 | \$ | 69,869,273           | \$ | -                                      | \$ | 69,869,273                                          | \$ | -                                    | \$ | 69,869,273                                    |
| Street Lighting and Signal S              | 373.01 | \$ | 285,376,434          | \$ | -                                      | \$ | 285,376,434                                         | \$ | -                                    | \$ | 285,376,434                                   |
| Security Lighting                         | 373.02 | \$ | 6,675,468            | \$ | (2,675,509)                            | \$ | 3,999,959                                           | \$ | -                                    | \$ | 3,999,959                                     |
| Security Lighting                         | 374.01 | \$ | (2,675,509)          | \$ | 2,675,509                              | \$ | -                                                   | \$ | -                                    | \$ | -                                             |
| Distr Plant ARO                           | 374.03 | \$ | 14,694,257           | \$ | (14,694,257)                           | \$ | -                                                   | \$ | -                                    | \$ | -                                             |
|                                           |        | \$ | 3,092,794,007        | \$ | (14,694,257)                           | \$ | 3,078,099,750                                       | \$ | -                                    | \$ | 3,078,099,750                                 |
| <b>General Plant</b>                      |        |    |                      |    |                                        |    |                                                     |    |                                      |    |                                               |
| Land and Land Fees                        | 389.01 | \$ | -                    | \$ | -                                      | \$ | -                                                   | \$ | -                                    | \$ | -                                             |
| Land and Land Rights                      | 389.02 | \$ | 135,226              | \$ | -                                      | \$ | 135,226                                             | \$ | -                                    | \$ | 135,226                                       |
| Structures & Improvements                 | 390    | \$ | 108,848,367          | \$ | -                                      | \$ | 108,848,367                                         | \$ | -                                    | \$ | 108,848,367                                   |
| Office Furn & Equip                       | 391    | \$ | 5,718,411            | \$ | -                                      | \$ | 5,718,411                                           | \$ | -                                    | \$ | 5,718,411                                     |
| Transportation & Equip                    | 392    | \$ | 68,318,803           | \$ | -                                      | \$ | 68,318,803                                          | \$ | -                                    | \$ | 68,318,803                                    |
| Store Equip                               | 393    | \$ | 128,998              | \$ | -                                      | \$ | 128,998                                             | \$ | -                                    | \$ | 128,998                                       |
| Tools, Shop, & Garage                     | 394    | \$ | 7,357,507            | \$ | (3,959)                                | \$ | 7,353,548                                           | \$ | -                                    | \$ | 7,353,548                                     |
| Laboratory Equip                          | 395    | \$ | 10,487,405           | \$ | (3,515,473)                            | \$ | 6,951,932                                           | \$ | -                                    | \$ | 6,951,932                                     |
| Power Operated Equip                      | 396    | \$ | 10,414,052           | \$ | -                                      | \$ | 10,414,052                                          | \$ | -                                    | \$ | 10,414,052                                    |
| Communication Equip                       | 397.01 | \$ | 175,672,341          | \$ | -                                      | \$ | 175,672,341                                         | \$ | -                                    | \$ | 175,672,341                                   |
| Computer Equip                            | 397.02 | \$ | 69,536,019           | \$ | (3,083,523)                            | \$ | 66,452,496                                          | \$ | -                                    | \$ | 66,452,496                                    |
| Misc Equip                                | 398    | \$ | 5,645,152            | \$ | -                                      | \$ | 5,645,152                                           | \$ | -                                    | \$ | 5,645,152                                     |
| ARO                                       | 399.11 | \$ | 1,417,157            | \$ | (1,417,157)                            | \$ | -                                                   | \$ | -                                    | \$ | -                                             |
| Total General Plant                       |        | \$ | 463,659,438          | \$ | (8,020,112)                            | \$ | 455,639,326                                         | \$ | -                                    | \$ | 455,639,326                                   |
| RWIP                                      |        | \$ | (152,000,023)        | \$ | -                                      | \$ | (152,000,023)                                       | \$ | -                                    | \$ | (152,000,023)                                 |
| <b>Total Accumulated Depreciation</b>     | II-B-5 | \$ | <b>4,427,157,387</b> | \$ | <b>(22,714,369)</b>                    | \$ | <b>4,404,443,018</b>                                | \$ | <b>-</b>                             | \$ | <b>4,404,443,018</b>                          |

SOAH DOCKET NO. 473-24-13232  
PUC DOCKET NO. 56211  
COMPANY NAME CenterPoint Energy Houston Electric  
TEST YEAR END 31-Dec-23

Schedule IV  
Taxes Other Than FIT

|                                                |     | Test Year<br>Total<br>(a) | Company<br>Adjustments<br>To Test Year<br>(b) | Company<br>Requested<br>Test Year<br>Total Electric<br>(c) | Adjustments<br>To Company<br>Request<br>(d) | Adjusted<br>Total Electric<br>(e) = (c) + (d) |
|------------------------------------------------|-----|---------------------------|-----------------------------------------------|------------------------------------------------------------|---------------------------------------------|-----------------------------------------------|
| <b>TAXES OTHER THAN FIT</b>                    |     |                           |                                               |                                                            |                                             |                                               |
| Property Related Taxes                         |     |                           |                                               |                                                            |                                             |                                               |
| Ad Valorem Tax                                 | 408 | \$ 109,041,725            | \$ 17,807,915                                 | \$ 126,849,640                                             | \$ (858,991)                                | \$ 125,990,649                                |
| Total Property Related                         |     | \$ 109,041,725            | \$ 17,807,915                                 | \$ 126,849,640                                             | \$ (858,991)                                | \$ 125,990,649                                |
| Payroll Taxes                                  |     |                           |                                               |                                                            |                                             |                                               |
| FICA                                           | 408 | \$ 11,555,803             | \$ 147,528                                    | \$ 11,703,131                                              | \$ -                                        | \$ 11,703,131                                 |
| FUTA                                           | 408 | \$ 271,879                | \$ -                                          | \$ 271,879                                                 | \$ -                                        | \$ 271,879                                    |
| SUTA (TX)                                      | 408 | \$ -                      | \$ -                                          | \$ -                                                       | \$ -                                        | \$ -                                          |
| Payroll Tax Load                               | 408 | \$ -                      | \$ -                                          | \$ -                                                       | \$ -                                        | \$ -                                          |
| Total Payroll                                  |     | \$ 11,827,482             | \$ 147,528                                    | \$ 11,975,010                                              | \$ -                                        | \$ 11,975,010                                 |
| Other Taxes                                    |     |                           |                                               |                                                            |                                             |                                               |
| Sales and Use Tax                              | 408 | \$ 8,440                  | \$ (8,440)                                    | \$ -                                                       | \$ -                                        | \$ -                                          |
| Total Other                                    |     | \$ 8,440                  | \$ (8,440)                                    | \$ -                                                       | \$ -                                        | \$ -                                          |
| Revenue Related Taxes                          |     |                           |                                               |                                                            |                                             |                                               |
| Texas Gross Margins Tax                        | 408 | \$ 27,505,545             | \$ -                                          | \$ 27,505,545                                              | \$ (630,047)                                | \$ 26,875,498                                 |
| Municipal Franchise Fees                       | 408 | \$ 152,901,435            | \$ 4,914,983                                  | \$ 157,816,418                                             | \$ -                                        | \$ 157,816,418                                |
| Deferred SIT/Local                             | 408 | \$ 5,434,810              | \$ -                                          | \$ 5,434,810                                               | \$ -                                        | \$ 5,434,810                                  |
| Total Revenue Related                          |     | \$ 185,841,790            | \$ 4,914,983                                  | \$ 190,756,773                                             | \$ (630,047)                                | \$ 190,126,726                                |
| <b>TOTAL TAXES OTHER THAN<br/>INCOME TAXES</b> |     | <b>\$ 306,719,437</b>     | <b>\$ 22,861,986</b>                          | <b>\$ 329,581,423</b>                                      | <b>\$ (1,489,037)</b>                       | <b>\$ 328,092,386</b>                         |

SOAH DOCKET NO. 473-24-13232  
PUC DOCKET NO. 56211  
COMPANY NAME CenterPoint Energy Houston Electric  
TEST YEAR END 31-Dec-23

ALJ Number Run Schedule V  
Federal Income Taxes  
(amounts in thousands)

## FEDERAL INCOME TAXES - METHOD 1

|                                           |           | Test Year<br>Total | Company<br>Adjustments<br>To Test Year | Company<br>Requested<br>Test Year<br>Total Electric | Adjustments<br>To Company<br>Request | Adjusted<br>Total Electric |
|-------------------------------------------|-----------|--------------------|----------------------------------------|-----------------------------------------------------|--------------------------------------|----------------------------|
|                                           |           | (a)                | (b)                                    | (c)                                                 | (d)                                  | (e)                        |
| Return                                    | Total     | \$ 900,765,896     | \$ (50,505,135)                        | \$ 850,260,761                                      | \$ (59,110,409)                      | \$ 791,150,352             |
| Less:                                     |           |                    |                                        |                                                     |                                      |                            |
| Synchronized Interest Included in Return  | \$        | 323,179,422        | \$ (37,600,993)                        | \$ 285,578,429                                      | \$ 10,055,666                        | \$ 295,634,095             |
| Amortization of Protected Excess DFIT     | \$        | 16,546,518         | \$ 346,674                             | \$ 16,893,192                                       | \$ -                                 | \$ 16,893,192              |
| Amortization of Unprotected Excess DFIT   | \$        | -                  | \$ (1,271,739)                         | \$ (1,271,739)                                      | \$ -                                 | \$ (1,271,739)             |
| Research and Development Credit           | \$        | 824,912            | \$ -                                   | \$ 824,912                                          | \$ -                                 | \$ 824,912                 |
| Medicare Drug Subsidy                     | \$        | -                  | \$ -                                   | \$ -                                                | \$ -                                 | \$ -                       |
| AFUDC Equity                              | \$        | 31,870,916         | \$ (31,870,916)                        | \$ -                                                | \$ -                                 | \$ -                       |
| Restricted Stock Excess Tax Benefit       | \$        | 791,968            | \$ -                                   | \$ 791,968                                          | \$ -                                 | \$ 791,968                 |
| Plus:                                     |           |                    |                                        |                                                     |                                      |                            |
| Non-deductible Clubs Dues                 | \$        | 17,024             | \$ (17,024)                            | \$ -                                                | \$ -                                 | \$ -                       |
| Non-deductible Parking and Transit        | \$        | 580,286            | \$ -                                   | \$ 580,286                                          | \$ -                                 | \$ 580,286                 |
| Non-deductible Lobbying Expenses          | \$        | 2,227,393          | \$ (2,227,393)                         | \$ -                                                | \$ -                                 | \$ -                       |
| CSV Over Offi. Life Ins. Prem.            | \$        | (7,129,948)        | \$ 7,129,948                           | \$ -                                                | \$ -                                 | \$ -                       |
| Meals and Entertainment                   | \$        | 427,757            | \$ -                                   | \$ 427,757                                          | \$ -                                 | \$ 427,757                 |
| Fines and Penalties                       | \$        | 3,000              | \$ (3,000)                             | \$ -                                                | \$ -                                 | \$ -                       |
| Stock Comp Windfall/Shortfall             | \$        | (1,298,210)        | \$ 1,298,210                           | \$ -                                                | \$ -                                 | \$ -                       |
| Diesel Fuel Credit Disallowance           | \$        | 13,550             | \$ -                                   | \$ 13,550                                           | \$ -                                 | \$ 13,550                  |
| Permanent Depreciation Difference         | \$        | 5,867,940          | \$ -                                   | \$ 5,867,940                                        | \$ -                                 | \$ 5,867,940               |
| Medicare Drug Subsidy                     | \$        | 5,246,215          | \$ (3,511,503)                         | \$ 1,734,712                                        | \$ -                                 | \$ 1,734,712               |
|                                           |           |                    |                                        |                                                     |                                      | \$ -                       |
| TAXABLE COMPONENT OF RETURN               | \$        | 533,507,167        | \$ 22,561,077                          | \$ 556,068,244                                      | \$ (69,166,075)                      | \$ 486,902,169             |
| TAX FACTOR (1/1-.21)(.21)                 |           | 0.26582278         | 0.26582278                             | 0.26582278                                          | 0.26582278                           | 0.26582278                 |
| TOTAL FIT BEFORE ADJUSTMENTS              |           | 141,818,358        | 5,997,248                              | 147,815,606                                         | (18,385,918)                         | 129,429,688                |
| Adjustments:                              |           |                    |                                        |                                                     |                                      |                            |
| Amortization of Protected Excess DFIT     | \$        | (16,546,518)       | \$ (346,674)                           | \$ (16,893,192)                                     | \$ -                                 | \$ (16,893,192)            |
| Amortization of Non-protected Excess DFIT | \$        | -                  | \$ 1,271,739                           | \$ 1,271,739                                        | \$ -                                 | \$ 1,271,739               |
| Research and Development Credit           | \$        | (824,912)          | \$ -                                   | \$ (824,912)                                        | \$ -                                 | \$ (824,912)               |
| Medicare Drug Subsidy                     | \$        | 5,246,215          | \$ (3,511,503)                         | \$ 1,734,712                                        | \$ -                                 | \$ 1,734,712               |
| Restricted Stock Excess Tax Benefit       | \$        | (791,968)          | \$ -                                   | \$ (791,968)                                        | \$ -                                 | \$ (791,968)               |
| <b>TOTAL FEDERAL INCOME TAXES</b>         | <b>\$</b> | <b>128,901,175</b> | <b>\$ 3,410,810</b>                    | <b>\$ 132,311,985</b>                               | <b>\$ (18,385,918)</b>               | <b>\$ 113,926,067</b>      |

SOAH DOCKET NO. **473-24-13232**  
PUC DOCKET NO. **56211**  
COMPANY NAME **CenterPoint Energy Houston Electric**  
TEST YEAR END **31-Dec-23**

NUMBER RUN - CASH WORKING CAPITAL WORKSHEET

(Model based on WP 11-13-9)

| Description                             | Adjusted Test year amount | Adjustments    | Adjusted Total | Average Daily Amount | Revenue Lag | Ref. | Expense Lag | Ref. | Net Lead/(Lag) Days | Working Capital Requirement |
|-----------------------------------------|---------------------------|----------------|----------------|----------------------|-------------|------|-------------|------|---------------------|-----------------------------|
| Operation and Maintenance Expenses      | \$ 1,946,240,619          | (1,591,921)    | 1,944,648,698  | \$ 5,327,805         | 51.28       |      | (44.94)     |      | 6.34                | \$ 33,778,281               |
| Less: Amortization of Prepayments       | \$ 27,995,426             |                | 27,995,426     | \$ 76,700            |             |      |             |      |                     | \$ -                        |
| Less: Revenue Transmission of Others    | -                         |                | -              | \$ -                 |             |      |             |      |                     | -                           |
| Less: Long-Term Incentive Compensation  | 229,253                   |                | 229,253        | \$ 628               |             |      |             |      |                     |                             |
| Less: Transportation Depreciation       | -                         |                | -              | -                    |             |      |             |      |                     |                             |
| Net Operations and Maintenance Expenses | \$ 1,918,015,940          | \$ (1,591,921) | 1,916,424,019  | \$ 5,250,477         | 51.28       |      | (44.94)     |      | 6.34                | \$ 33,288,023               |
| <u>Federal Income Taxes</u>             |                           |                |                |                      |             |      |             |      |                     |                             |
| Current Income Taxes                    | \$ (1,616,880)            |                | (1,616,880)    | \$ (4,430)           | 51.28       |      | (37.00)     |      | 14.28               | \$ (63,258)                 |
| Deferred Income Taxes                   | 134,026,235               |                | 134,026,235    | 367,195              |             |      |             |      | -                   | -                           |
| Total Federal Income Taxes              | 132,409,355               |                | 132,409,355    | \$ 362,765           |             |      |             |      | 0.00                | \$ (63,258)                 |
| <u>Taxes Other Than Income Taxes</u>    |                           |                |                |                      |             |      |             |      |                     |                             |
| Payroll Taxes                           | \$ 11,975,010             | -              | 11,975,010     | \$ 32,808            | 51.28       |      | (41.00)     |      | 10.28               | \$ 337,269                  |
| State Franchise Taxes                   | 32,940,355                | (630,047)      | 32,310,308     | 88,521               | 51.28       |      | 47.00       |      | 98.28               | \$ 8,699,882                |
| Local Franchise Taxes                   | 157,816,418               | -              | 157,816,418    | 432,374              | 51.28       |      | 10.00       |      | 61.28               | \$ 26,495,863               |
| Ad Valorem Tax                          | 126,849,640               | (858,991)      | 125,990,649    | 345,180              | 51.28       |      | (218.04)    |      | (166.76)            | \$ (57,562,193)             |
| Total TOTI                              | 329,581,423               |                | 329,581,423    | 898,883              |             |      |             |      |                     | \$ (22,029,179)             |
| Depreciation Expense                    | \$ 60,804,189             |                |                | \$ 166,587           |             |      |             |      |                     | \$ -                        |
| Return                                  | \$ 850,808,323            |                |                | \$ 2,330,982         |             |      |             |      | -                   | \$ -                        |
| Subtotal                                | \$ 3,291,619,230          |                |                | \$ 9,009,694         | 51.28       |      | -44.94      |      | 6.34                | \$ 11,195,586               |
| Average Daily Bank Balances             |                           |                |                |                      |             |      |             |      |                     | \$ 3,324,909                |
| Working Funds and Other                 |                           |                |                |                      |             |      |             |      |                     | (7,400,527)                 |
| Total                                   | \$ (3,291,619,230)        |                |                |                      |             |      |             |      | *                   | \$ 7,119,968                |

Expense Lead/(Lag) days are derived from the Lead Lag Study for 12 month period ending September 30, 2018

Company Total from WP 11-13-9 12,168,360  
Adjustment (5,048,392)

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**  
**PUC DOCKET NO. 56211**  
**SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**REQUEST NO.: PUC-RFI04-03**

**QUESTION:****COVID-19 Regulatory Asset:**

Please refer to the testimony of Kristie Colvin at page 49, line 5 through page 51, line 6 and provide a schedule detailing the incremental COVID-19 expenses that comprise the \$8.1 million COVID-19 regulatory asset by expense type and by period of deferral.

**ANSWER:**

Please see the following files for detailed support for the COVID-19 regulatory asset balance of \$8,104,605:

PUC-RFI04-03\_COVID-19\_Confidential.xlsx  
PUC-RFI04-03\_Absence Other Paid 2020\_Confidential.xlsx  
PUC-RFI04-03\_Absence Other Paid 2021\_Confidential.xlsx  
PUC-RFI04-03\_Absence Other Paid 2022\_Confidential.xlsx

| Voluminous Confidential Index |                                        |                |                 |            |
|-------------------------------|----------------------------------------|----------------|-----------------|------------|
| Date                          | Title                                  | Sponsor        | Number of Pages | Page No(s) |
| May 2024                      | PUC-RFI4-03_COVID-19_Confidential.xlsx | Kristie Colvin | 197             | 1-197      |

This is information was also provided in response to OPUC RFI01-17.

The attachments are confidential highly sensitive and are being provided pursuant to the Protective Order issued in Docket No. 56211.

**SPONSOR:**

Kristie Colvin

**RESPONSIVE DOCUMENTS:**

PUC-RFI04-03\_COVID-19\_Confidential.xlsx  
PUC-RFI04-03\_Absence Other Paid 2020\_Confidential.xlsx  
PUC-RFI04-03\_Absence Other Paid 2021\_Confidential.xlsx  
PUC-RFI04-03\_Absence Other Paid 2022\_Confidential.xlsx



**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS  
REQUEST NO.: PUC-RF104-04**

**QUESTION:**

**COVID-19 Regulatory Asset**

Did CEHE offset any of the deferred incremental COVID-19 expenses with expense reductions also associated with COVID-19? If yes, please provide a schedule detailing the expense reductions by type of expense and period of deferral. If no, please provide a detailed explanation and justification for why incremental COVID-19 expenses were not offset by expense reductions associated with COVID-19.

**ANSWER:**

The Company did not offset COVID-19 expenses with expense reductions associated with COVID-19.

Project No. 50664, Order Related to Accrual of Regulatory Assets, March 26, 2020, "authorizes each electric, water, and sewer utility to record as a regulatory asset expenses resulting from the effects of COVID-19, including but not limited to non-payment of qualified customer bills as specified by separate order issued on this same date." The order did not require utilities offset expenses resulting from the effects of COVID-19 with expense reductions resulting from the effects of COVID-19. Further, full analysis of COVID-19 impacts would be incomplete if other factors such as changes in revenues were not included. This level of analysis was not required by the order in Project 50664, so the scope of the Company's COVID-19 regulatory asset has been limited to "expenses resulting from the effects of COVID-19" as stated in the order.

**SPONSOR:**

Kristie Colvin

**RESPONSIVE DOCUMENTS:**

None



**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS  
REQUEST NO.: PUC-RFI04-05**

**QUESTION:**

**COVID-19 Regulatory Asset**

Please separately identify and quantify by expense type and by year all expense reductions associated with COVID-19.

**ANSWER:**

The Company did not identify and quantify all of the data necessary to determine expense reductions associated with COVID-19.

**SPONSOR:**

Kristie Colvin/Darren Storey

**RESPONSIVE DOCUMENTS:**

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS  
REQUEST NO.: PUC-RFI04-06**

**QUESTION:**

**COVID-19 Regulatory Asset**

If not identified in the response to Staff 4-5, above, please separately provide by year both the direct and allocated employee travel, meal, and training expenses for the period 2017 through 2022. To the extent there were reductions in such expenses in 2020 and thereafter, identify any reductions not attributable to COVID-19 and the reason for the reduction.

**ANSWER:**

Please see PUC RFI04-06 Attachment 1.xlsx for primary (non-allocated) expenses for employee travel, meals, and training.

The Company has not performed the analysis required to identify the allocated amounts requested. PUC RFI04-06 Attachment 1.xlsx provides the TOTAL employee travel, meals, and training expenses directly incurred at CenterPoint Energy Service Company before any allocations to business units, including CenterPoint Houston.

**SPONSOR:**

Kristie Colvin/Darren Storey

**RESPONSIVE DOCUMENTS:**

PUC-RFI04-06 Attachment 1.xlsx

**Employee Travel, Meals and Training****Direct Expenses - CenterPoint Energy Houston Electric**

| Line No |                                       | <u>2017</u>         | <u>2018</u>         | <u>2019</u>         | <u>2020</u>       | <u>2021</u>       | <u>2022</u>         |
|---------|---------------------------------------|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
| 1       | 522010 Employ Rel Exp-Employee Travel | \$ 2,933,845        | \$ 1,116,885        | \$ 938,360          | \$ 135,347        | \$ 184,067        | \$ 500,439          |
| 2       | 522020 Employ Rel Exp-Training        | 709,643             | 391,273             | 438,768             | 181,659           | 247,070           | 297,476             |
| 3       | 522060 Employ Rel Exp-Bus Meals       | 4,247,489           | 988,713             | 567,878             | 85,991            | 251,070           | 561,810             |
| 4       | Total                                 | <u>\$ 7,890,978</u> | <u>\$ 2,496,871</u> | <u>\$ 1,945,007</u> | <u>\$ 402,997</u> | <u>\$ 682,207</u> | <u>\$ 1,359,725</u> |

**Direct Expenses - CenterPoint Energy Service Company**

|                                         | <u>2017</u>         | <u>2018</u>         | <u>2019</u>         | <u>2020</u>         | <u>2021</u>         | <u>2022</u>         |
|-----------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 9 522010 Employ Rel Exp-Employee Travel | \$ 2,158,270        | \$ 3,323,026        | \$ 4,651,043        | \$ 736,625          | \$ 1,333,455        | \$ 2,107,126        |
| 10 522020 Employ Rel Exp-Training       | 574,737             | 662,623             | 737,199             | 428,084             | 275,947             | 882,650             |
| 11 522060 Employ Rel Exp-Bus Meals      | 1,525,783           | 1,812,086           | 2,031,907           | 354,092             | 1,026,324           | 1,663,541           |
| 12 Total                                | <u>\$ 4,258,790</u> | <u>\$ 5,797,735</u> | <u>\$ 7,420,148</u> | <u>\$ 1,518,801</u> | <u>\$ 2,635,726</u> | <u>\$ 4,653,317</u> |

CENTERPOINT HOUSTON  
DOCKET NO. 56211

Comparison of 2023 Test Year Cloud Computing Expenses with 2024 Estimated Cloud Computing Expenses

|                | 2023<br>Test Year<br>Staff 5-7 | 2024<br>Estimated<br>Staff 5-9 |
|----------------|--------------------------------|--------------------------------|
| IaaS CCA       |                                |                                |
| Capital        | \$ 641,638                     | \$ 755,860                     |
| Expense        | \$ 482,117                     | \$ 317,497                     |
| IaaS CCA Total | \$1,123,755                    | \$1,073,357                    |
| SaaS CCA       |                                |                                |
| Capital        | \$3,115,856                    | \$1,415,682                    |
| Expense        | \$5,395,474                    | \$4,051,366                    |
| SaaS CCA Total | \$8,511,330                    | \$5,467,048                    |
| TOTAL CCA      | \$9,635,085                    | \$6,540,405                    |

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**  
**PUC DOCKET NO. 56211**  
**SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**REQUEST NO.: PUC-RF105-07**

**QUESTION:**

**Cloud Computing Arrangements (CCAs)**

For each of the years 2019 through 2023, please separately provide CEHE's directly incurred and allocated expenses for infrastructure as a service (IaaS) CCAs and software as a service (SaaS) CCAs. For each amount provided, please specify the amount capitalized and the amount expensed.

**ANSWER:**

Please see the tables below that provide IaaS CCAs and SaaS CCAs by year, as well as the amount capitalized and expensed.

Incurred by Technology Operations on behalf of and charged to CenterPoint Houston:

| <b>IaaS CCA</b>       | <b>2019</b>         | <b>2020</b>         | <b>2021</b>         | <b>2022</b>          | <b>2023</b>         |
|-----------------------|---------------------|---------------------|---------------------|----------------------|---------------------|
| Capital               | \$ 356,762          | \$ 234,376          | \$ 81,494           | \$ 63,685            | \$ 591,757          |
| Expense               | \$ (70,116)         | \$ 353,546          | \$ 653,446          | \$ 285,057           | \$ 481,474          |
| <b>IaaS CCA Total</b> | <b>\$ 286,645</b>   | <b>\$ 587,923</b>   | <b>\$ 734,940</b>   | <b>\$ 348,743</b>    | <b>\$ 1,073,230</b> |
|                       |                     |                     |                     |                      |                     |
|                       |                     |                     |                     |                      |                     |
| <b>SaaS CCA</b>       | <b>2019</b>         | <b>2020</b>         | <b>2021</b>         | <b>2022</b>          | <b>2023</b>         |
| Capital               | \$ 108,750          | \$ (31,609)         | \$ 53,253           | \$ 11,574,967        | \$ 2,746,402        |
| Expense               | \$ 4,401,203        | \$ 7,845,785        | \$ 6,686,406        | \$ 4,765,910         | \$ 5,395,399        |
| <b>SaaS CCA Total</b> | <b>\$ 4,509,953</b> | <b>\$ 7,814,175</b> | <b>\$ 6,739,658</b> | <b>\$ 16,340,877</b> | <b>\$ 8,141,801</b> |

Incurred by CenterPoint Houston:

| <b>IaaS CCA</b>       | <b>2019</b>      | <b>2020</b>       | <b>2021</b>       | <b>2022</b>       | <b>2023</b>       |
|-----------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Capital               | \$ -             | \$ 213,235        | \$ 140,515        | \$ -              | \$ 49,881         |
| Expense               | \$ -             | \$ 29,228         | \$ -              | \$ -              | \$ 643            |
| <b>IaaS CCA Total</b> | <b>\$ -</b>      | <b>\$ 242,463</b> | <b>\$ 140,515</b> | <b>\$ -</b>       | <b>\$ 50,525</b>  |
|                       |                  |                   |                   |                   |                   |
|                       |                  |                   |                   |                   |                   |
| <b>SaaS CCA</b>       | <b>2019</b>      | <b>2020</b>       | <b>2021</b>       | <b>2022</b>       | <b>2023</b>       |
| Capital               | \$ -             | \$ -              | \$ 48,806         | \$ 118,732        | \$ 369,454        |
| Expense               | \$ 83,979        | \$ 139,889        | \$ 168,142        | \$ -              | \$ 75             |
| <b>SaaS CCA Total</b> | <b>\$ 83,979</b> | <b>\$ 139,889</b> | <b>\$ 216,948</b> | <b>\$ 118,732</b> | <b>\$ 369,528</b> |

**SPONSOR:**

Kristie Colvin/Ron Bahr

**RESPONSIVE DOCUMENTS:**

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**  
**PUC DOCKET NO. 56211**  
**SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**REQUEST NO.: PUC-RF105-09**

**QUESTION:**

**Cloud Computing Arrangements (CCAs)**

For amounts identified in the response to Staff 5-8, please identify the amounts that are based on contracts or agreements already executed. Based on the executed contracts, please provide the estimated amounts to be capitalized and the estimated amounts expected to be expensed each year.

**ANSWER:**

Of the amounts identified in CenterPoint Houston's response to Staff 5-8, all amounts for 2024 are based on contracts or agreements already executed. The table below provides the capital and expense amounts for IaaS CCAs and SaaS CCAs.

| <b>IaaS CCA</b>       | <b>2024</b>        |
|-----------------------|--------------------|
| Capital               | \$755,860          |
| Expense               | \$317,497          |
| <b>IaaS CCA Total</b> | <b>\$1,073,357</b> |
|                       |                    |
| <b>SaaS CCA</b>       | <b>2024</b>        |
| Capital               | \$1,415,682        |
| Expense               | \$4,051,366        |
| <b>SaaS CCA Total</b> | <b>\$5,467,048</b> |

**SPONSOR:**

Kristie Colvin/Ron Bahr

**RESPONSIVE DOCUMENTS:**

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS  
REQUEST NO.: PUC-RF105-08**

**QUESTION:**

**Cloud Computing Arrangements (CCAs)**

For each of the years 2024 through 2028, please separately provide the total expenses CEHE expects to incur (both directly and as allocated) for IaaS CCAs and SaaS CCAs.

**ANSWER:**

For 2024, the amounts incurred by the Information Technology organization on behalf of and charged to CenterPoint Houston is expected to be approximately \$1,073,357 for IaaS CCAs and \$5,467,048 for SaaS CCAs. Although specific figures for 2025–2028 are not available, the spend in these years for the IaaS and SaaS CCAs will be similar and not less than 2024 totals due to factors like inflation, contract time period, and other annual increases to subscription costs that vendors typically tie to inflation. In addition, an SAP S/4 Transformation program is being evaluated and that may affect these numbers in future years. There may be a high likelihood for increased usage of CCAs in the future. As described in Ms. Colvin's direct testimony, the proposed method of using a baseline level and tracking deferrals would allow the Company to either recover or issue credits as specified to customers.

**SPONSOR:**

Kristie Colvin/Ron Bahr

**RESPONSIVE DOCUMENTS:**

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**GULF COAST COALITION OF CITIES  
REQUEST NO.: GCCC02-07**

**QUESTION:**

Confirm that the CAMT is calculated on a CNP consolidated tax return basis and not on a separate or standalone tax return basis for the Company.

**ANSWER:**

Deny. CAMT is a calculation that uses the adjusted financial statement income ("AFSI") of an applicable corporation. AFSI is defined as the net income or loss reported on a taxpayer's applicable financial statement ("AFS")<sup>[1]</sup> for a taxable year, with certain adjustments.<sup>[2]</sup> For this purpose, an applicable corporation (i.e., member of a controlled group) is an entity under a single employer as defined by I.R.C. § 52(a) or (b) that meets the parameters of the AFSI test. The entity need not itself meet the AFSI test but only be a part of the single employer that does.<sup>[3]</sup> The tax itself is not based on the consolidated group, instead it is based on the control group.

[1] I.R.C. § 451(b)(3).

[2] I.R.C. § 56A.

[3] I.R.C. § 59(k)(1)(D).

**SPONSOR:**

Jennifer Story

**RESPONSIVE DOCUMENTS:**

None



**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**GULF COAST COALITION OF CITIES  
REQUEST NO.: GCCC02-09**

**QUESTION:**

Confirm that the Company on a standalone separate tax return basis would not meet the \$1 billion AFSI threshold for the prior three-year period and thus would not be considered an applicable corporation subject to the CAMT. Confirm that the Company is an applicable corporation solely due to the fact that CNP exceeds the \$1 billion AFSI threshold. If denied, then provide a corrected statement and a copy of all support relied on for your response.

**ANSWER:**

The requested calculation required to confirm or deny that the Company on a standalone separate tax return basis would not meet the \$1B AFSI threshold for the prior three-year period has not been done (see GCCC02-11).

Deny that the Company is an applicable corporation solely due to the fact that CNP exceeds the \$1B AFSI threshold. The Company is an applicable corporation because it is the member of a controlled group that exceed \$1 billion average AFSI for the three proceeding taxable years. For this purpose, an applicable corporation (i.e., member of a controlled group) is an entity under a single employer as defined by I.R.C. § 52(a) or (b) that meets the parameters of the AFSI test. The entity need not itself meet the AFSI test but only be a part of the single employer that does.<sup>[1]</sup> The Company's AFSI for purposes of the AFSI test is that of the single employer and not the Company's own AFSI.

[1] I.R.C. § 59(k)(1)(D).

**SPONSOR:**

Jennifer Story

**RESPONSIVE DOCUMENTS:**

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**GULF COAST COALITION OF CITIES  
REQUEST NO.: GCCC02-08**

**QUESTION:**

Confirm that it is the intent of CNP to allocate the consolidated tax return CAMT to its affiliates. If confirmed, then describe the manner in which CNP intends to allocate the consolidated tax return CAMT to its affiliates and describe the manner in which the Company intends to allocate its allocation of the CNP consolidated tax return CAMT to function (distribution, transmission, etc.). Provide a copy of all analyses and/or other documentation developed by CNP or the Company that assesses, analyzes, or otherwise sets forth this multilevel allocation process.

**ANSWER:**

CNP intends to record the CAMT to the entities contributing to the CAMT using the process outlined below.

1. Confirm CNP consolidated (i.e., all members of a single employer) CAMT tax is in excess of regular tax.<sup>[1]</sup>
2. Calculate CEHE's contribution to AFSI on a stand-alone basis. CEHE's AFSI is calculated by adjusting CEHE's applicable financial statement income by adjustments to depreciation, pension costs and federal income tax to arrive at AFSI.<sup>[2]</sup>
3. Compare CEHE's CAMT stand-alone amount with CEHE's regular stand-alone tax liability. If the stand alone CAMT is in excess of the stand-alone regular tax, the CAMT is recorded to CEHE.
4. Functionalize CEHE's recorded amount to transmission and distribution based on allocation factor total revenue requirement (TOTREV) approved in this proceeding. <sup>[3]</sup>

<sup>[1]</sup> See Direct Testimony – Jennifer K. Story at Bates Stamp page 1050 and I.R.C. § 55(a).

<sup>[2]</sup> I.R.C. § 56A.

<sup>[3]</sup> See Direct Testimony – Kristie L. Colvin at Bates Stamp page 868.

**SPONSOR:**

Kristie Colvin/Jennifer Story

**RESPONSIVE DOCUMENTS:**

None

## **BILL ANALYSIS**

Senate Research Center

S.B. 1364  
By: Schwertner  
Business & Commerce  
7/18/2013  
Enrolled

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Section 36.060(a), Utilities Code, has been interpreted to require the Public Utility Commission of Texas to implement a consolidated tax savings adjustment in rate proceedings involving an electric utility that is part of an affiliated group eligible to file a federal consolidated income tax return. Current law allows the comingling of electric utility and non-electric utility costs. This comingling violates legislative intent that the activities of an electric utility's affiliates should not affect the utility service provided to ratepayers or the rates that they pay for such service.

Consistent with how rates are set for gas utilities under Section 104.055 of the Utilities Code, S.B. 1364 provides that electric utility rates should reflect income tax expense calculated on a stand-alone basis using only the electric utility's income and expenses and the income tax rates that would apply to the utility's stand-alone net income. As a result, the income, gains, losses, and deductions of an electric utility's affiliates, including the federal income tax consequences of such income, gains, losses, and deductions, will not affect the electric utility's cost of service and rates charged for utility service.

S.B. 1364 amends current law relating to the computation of an electric utility's income taxes.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**


SECTION 1. Amends Section 36.060(a), Utilities Code, as follows:

(a) Requires that the related income tax benefit, if an expense is allowed to be included in utility rates or an investment is included in the utility rate base, be included in the computation of income tax expense to reduce the rates. Prohibits the related income tax benefit, if an expense is not allowed to be included in utility rates or an investment is not included in the utility rate base, from being included in the computation of income tax expense to reduce the rates. Requires that the income tax expense be computed using the statutory income tax rates.

Deletes existing text requiring an electric utility's income taxes, unless it is shown to the satisfaction of the regulatory authority that it was reasonable to choose not to consolidate returns, to be computed as though a consolidated return had been filed and the utility had realized its fair share of the savings resulting from that return, if the utility is a member of an affiliated group eligible to file a consolidated income tax return and it is advantageous to the utility to do so.

SECTION 2. Effective date: September 1, 2013.

WITNESS LIST

  
SB 1364

Senate Committee Report  
Business & Commerce

April 9, 2013 - 8:00 AM

FOR:

Fainter Jr., John W. (Association of Electric Companies of Texas, Inc.), Austin, TX  
Gee, Robert W. (Texas New Mexico Power Company), Falls Church, TX  
Harder, Chuck (Center Point Energy, Inc.), Houston, TX  
Reed, John J. (Association of Electric Companies of Texas, Inc.), Washington, DC

AGAINST:

Brewster, Chris (Texas Coalition of Cities for Utility Issues), Austin, TX  
Doegey, Jay (Oncor Cities Steering Committee, City of Arlington), Arlington, TX  
Kollen, Lane (Oncor Cities Steering Committee), Austin, TX  
Moravce, Randolph C. (Texas Coalition for Affordable Power), Richardson, TX  
Oldham, Phillip (Texas Association of Manufacturers), Austin, TX  
Power, David (Self), Austin, TX  
Smith, Ed Mayor (City of Marshall), Marshall, TX

Registering, but not testifying:

AGAINST:

Greytok, John (City of Missouri City), Austin, TX  
Kroll, John (City of Dickinson), Austin, TX  
Patterson, T.J. (City of Fort Worth), Fort Worth, TX  
Sturzl, Frank (City of Arlington), Austin, TX

ON:

Tietjen, Darryl (PUC), Austin, TX

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS  
REQUEST NO.: PUC-RF104-10**

**QUESTION:**

**Corporate Alternative Minimum Tax**

Other than affiliate transactions allowed as capital costs or expenses under PURA §36.058, please provide a detailed explanation for how any other revenues, expenses or invested capital of CEHE's parent and affiliates are included in CEHE's regulated rates or rate base.

**ANSWER:**

Other than affiliate transactions allowed as capital costs or expenses under PURA §36.058, no other revenues, expenses or invested capital of the Company's parent and affiliates are included in the Company's regulated rates or rate base.

PURA § 36.060(a) provides that electric utility rates should reflect income tax expense calculated on a stand-alone basis using only the electric utility's income and expenses and the income tax rates that would apply to the utility's stand-alone net income. As a result, the income, gains, losses, and deductions of the Company's parent and affiliates, including the federal income tax consequences of such income, gains, losses, and deductions, will not affect the Company's cost of service and rates charged for utility service.

The Company is considered an applicable corporation in regards to the Corporate Alternative Minimum Tax (CAMT). Please see the Company's response to GCCC02-07 and GCCC02-09. For the description of how the stand-alone calculation is computed, please see GCCC02-08.

**SPONSOR:**

Jennifer Story

**RESPONSIVE DOCUMENTS:**

None

Despite the seeming inapplicability of PURA § 36.060(a) to CEHE, the Commission has applied a CTSA to utilities that file as part of a consolidated return. Thus, the remainder of the brief assumes, as did Mr. Reed and Mr. Felsenthal, that under PURA § 36.060(a), the Commission has the authority to impose a CTSA in this case.<sup>650</sup>

**b. Even if PURA § 36.060(a) applies to CEHE, CEHE's fair share of consolidated tax savings is zero because CEHE is a ring-fenced utility.**

PURA § 36.060(a) at most authorizes the Commission to reduce CEHE's federal tax expense by the "fair share" of its consolidated tax savings. As such, assuming that PURA § 36.060(a) applies to a utility included in a consolidated return, the parties only disagree as to the amount, if any, of the "fair share" of consolidated tax savings that should be imposed to decrease federal income tax expense. CEHE's "fair share" of consolidated tax savings is \$0 because CEHE is a ring-fenced utility that does not and cannot bear any of its affiliates' losses. As Mr. Reed explained, there is no formal definition of "ring fencing," but the Commission introduced

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file a consolidated income tax return, and if it is advantageous to the public utility to do so, income taxes shall be computed as though a consolidated return had been so filed and the utility had realized its fair share of the savings resulting from the consolidated return, unless it is shown to the satisfaction of the regulatory authority that it was reasonable to choose not to consolidate returns."

<sup>649</sup> The appellate courts have analyzed various aspects of the statute. For example, in *Texas Utilities Co. v. Public Utility Commission*, the Third Court of Appeals noted in its discussion of the "actual taxes" doctrine that "[t]he statute provides that, regardless of whether the utility actually filed a consolidated return, the Commission must calculate the utility's income tax expense as though it had received any tax benefits a consolidated return would provide." The Texas Supreme Court, however, reversed the court of appeals' judgment regarding income taxes in its entirety without addressing this issue. 881 S.W.2d 387, 398 (Tex. App.—Austin 1994), *aff'd in part, rev'd in part*, 935 S.W.2d 109 (Tex. 1996). The Third Court of Appeals in *Reliant Energy, Inc. v. Public Utility Commission* stated in passing that "PURA requires the Commission to determine a utility's 'fair share' of the tax benefits that result when its parent company files a consolidated tax return." *Pub. Util. Comm'n v. Tex. Utils. Elec. Co.*, 935 S.W.2d 109, 110 (Tex. 1996). But the court was not addressing the argument that PURA § 36.060(a) cannot apply in such cases; the utility in that case instead argued that the CTSA constituted retroactive ratemaking, that the Commission erroneously included losses of companies ineligible to file a consolidated return with the utility, and that the Commission arbitrarily and capriciously failed to follow methods used in similar cases. In a memorandum opinion, the Third Court rejected the utility's argument that PURA § 36.060 only requires the sharing of tax savings when a utility does not file a consolidated return. *City of Corpus Christi v. Public Utility Commission*, 153 S.W.3d 174, 197-98 (Tex. App.—Austin 2004, pet. denied). The decision is distinguishable from CEHE's case, for the utility in *Cities of Corpus Christi* agreed that the utility's presence in the consolidated group produced savings to the parent. In contrast, CEHE demonstrated the precise opposite—its presence in the consolidated return produced no consolidated tax savings. As explained below, if CEHE had not been a member of the consolidated group, all of the tax losses of the other members of the group would have been monetized by other members. CEHE's presence in the group was not needed.

<sup>650</sup> See Tr. at 390 (Oct. 11, 2010); Tr. at 491 (Oct. 12, 2010).

the concept of “ring fencing” in its recent order relating to Oncor.<sup>651</sup> Mr. Reed explained that ring fencing essentially means drawing a circle around the utility and keeping its activities separate from the other members of the consolidated group.<sup>652</sup>

Mr. Reed further explained that while there is a spectrum of ring fencing, there are at least 34 factors which demonstrate why CEHE is ring-fenced. Among many considerations, CEHE:

- maintains separate books and records;
- is a separate registrant with the Securities and Exchange Commission (“SEC”);
- files quarterly and annual financial statements with the SEC;
- has a separate financing program which includes mortgage bonds issued by it and a revolving credit facility on which it is the sole obligor;
- has debt rated by the three major rating agencies; and
- is restricted by its debt-to-total-capital covenant in its revolving credit facility in paying dividends.<sup>653</sup>

Moreover, CEHE and its affiliates are not so intertwined as to make the entities indistinguishable.<sup>654</sup> Transactions among these entities are fairly priced, and CEHE does not cross-subsidize its affiliates.<sup>655</sup> While Mr. Kollen disagrees with the conclusion that CEHE is ring-fenced, he does not attempt to refute any of these specific facts supporting that conclusion.<sup>656</sup> Mr. Reed also explains that CEHE is in full compliance with all Commission rules regarding ring fencing<sup>657</sup> “and for ratemaking purposes is effectively ring-fenced.”<sup>658</sup>

<sup>651</sup> Rebuttal Testimony of John J. Reed, CEHE Ex. 68 at 10-11.

<sup>652</sup> Tr. at 1333-35 (Oct. 14, 2010).

<sup>653</sup> Rebuttal Testimony of John J. Reed, CEHE Ex. 68 at Rebuttal Ex. JJR-06, CEHE Response to GCCC RFI 01-07.

<sup>654</sup> *Id.*

<sup>655</sup> *Id.*

<sup>656</sup> Direct Testimony of Lane Kollen, GCCC Ex. 1 at 81.

<sup>657</sup> Substantive Rule 25.272(d)(1) mandates that the utility “shall be a separate, independent entity from any competitive affiliate.” As such, the utility cannot, except in narrowly circumscribed cases, share employees, facilities, or other resources with affiliates. The utility must keep separate books of accounts and records, prepare its

Because CEHE is a ring-fenced utility bearing no portion of the losses of its affiliates, CEHE's fair share of consolidated tax savings must be \$0. Indeed, CEHE's factual circumstances clearly illustrate the absurdity of applying a CTSA to a ring-fenced utility. Most of the tax losses incurred by the CEHE consolidated group resulted from interest expenses incurred on debt held by CEHE.<sup>659</sup> When CEHE has a stand-alone net loss resulting from interest expense in excess of taxable income, lower taxes on the consolidated tax return offset a portion of any such loss.<sup>660</sup> Given these facts, Company witness John Reed concluded that "[a] claim that the utility's customers are entitled to a portion of this lower tax expense under these circumstances is entirely contrary to all of the other mandates that the PUCT has established for inter-affiliate separation. The debt is not the utility's and the interest expense is not the utility's (and is not permitted to be in rates)."<sup>661</sup>

The Commission has vigorously taken the position that whether a utility is a member of an affiliated group should have no effect on the utility's fair ROE, debt costs, administrative costs, or any other element of the revenue requirement; utilities in an affiliated group must necessarily be ring-fenced "to prevent any effects of such cross ownership from creeping into the utility's costs."<sup>662</sup> Taxes are no different, and to impose a CTSA on a ring-fenced utility conflicts with PURA and the Commission's rules requiring the arm's length separation between a utility and its affiliates.

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own financial statements, and carefully track any transactions with its affiliates. It must not allow any affiliate to obtain any credit under an arrangement that would include a specific pledge of any assets included in rate base or any cash reasonably necessary for utility operations. Any transactions with affiliates reflected in rates must be at arm's length. And any shared services must be valued on a fully-allocated cost basis. In all these ways, the Commission has "establish[ed] safeguards to govern the interaction between utilities and their affiliates, both during the transition to and after the introduction of competition, to avoid potential market-power abuses and cross-subsidization between regulated and unregulated activities." P.U.C. Subst. R. 25.272(a), (d)(1), (d)(2), (d)(6), (d)(7), (e)(1), (e)(2).

<sup>658</sup> Direct Testimony of John J. Reed, CEHE Ex. 25 at 36.

<sup>659</sup> *Id.* at 26.

<sup>660</sup> *Id.*

<sup>661</sup> *Id.*

<sup>662</sup> *Id.* at 22.



The Commission's most recent jurisprudence embraces this conclusion. While the Commission has imposed a CTSA in most cases since Docket No. 14965, it has recently demonstrated that it intends to respect ring-fenced entities for tax purposes. In Docket No. 35717, the Commission first found that Oncor "is a ring-fenced utility that has entered into a tax sharing agreement with its affiliates that requires Oncor to function as a stand-alone company."<sup>663</sup> The Commission then concluded that "[a]s a ring-fenced utility, Oncor's fair share of the tax savings is \$0."<sup>664</sup> Given that CEHE is a ring-fenced utility for the reasons discussed above, its fair share of any tax savings is likewise \$0.

As Mr. Reed makes clear, other regulatory commissions similarly weigh the degree of affiliate separation in making the "fair share" determination.<sup>665</sup> In fact, the evidence shows that from the 5 (out of 52) regulatory commissions have imposed a CTSA; the overwhelming majority of Commissions do not.<sup>666</sup>

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<sup>663</sup> *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 35717, Order on Reh'g at 25, FOF 128B (Nov. 30, 2009).

<sup>664</sup> *Id.* at 36, COL 19B.

<sup>665</sup> Rebuttal Testimony of John J. Reed, CEHE Ex. 68 at 12. As Mr. Reed notes in his rebuttal testimony, Iowa has recognized that the Iowa Code was intended to prevent cross subsidization and that no CTSA would be appropriate in such a case where the ratepayers bore no portion of the non-utility's affiliates' losses. Iowa Utils. Board, Midwest Gas, a Division of Iowa Public Service Company, Docket No. RPU-91-5, Order, 133 P.U.R.4th 380 (May 15, 1992). Further, objective testimony in a recent New Mexico proceeding explained that "after considering the arguments in support of each approach, I believe the stand alone approach should be utilized because it is consistent with and promotes the accounting and regulatory principles of cost causation, the benefits/burdens equation and prevention of cross-subsidization. These are principles that have been developed with good reason over many decades. If a consolidated method were to be implemented, and affiliates had taxable losses, the Commission would be influencing utility affiliate business activities by reaching for tax savings that belong to the affiliate." N.M. Pub. Serv. Co., *In the Matter of the Application of Public Service Company of New Mexico for a Revision of its Retail Electric Rates Pursuant to Advice Notice No. 334*, Case No. 07-00077-UT, Prepared Direct Testimony of Charles W. Gunter at 25 (Oct. 22, 2007).

<sup>666</sup> See Direct Testimony of John J. Reed, CEHE Ex. 25 at 37.

PUBLIC UTILITY COMMISSION OF TEXAS  
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
II-B SUMMARY OF RATE BASE  
TEST YEAR ENDED 12/31/2018  
DOCKET NUMBER PENDING ASSIGNMENT  
SPONSOR: K. COLVIN  
(THOUSANDS OF DOLLARS)

INDEX

| Line No | Description                               | Reference Schedule | 1<br>Test Year Total Electric | 2<br>Company Adjustments | 3<br>Company Total Request | 4<br>TRAN        | 5<br>DIST        | 6<br>MET        | 7<br>TDCS      | 8<br>Total TX Retail |
|---------|-------------------------------------------|--------------------|-------------------------------|--------------------------|----------------------------|------------------|------------------|-----------------|----------------|----------------------|
| 1       | Original Cost of Plant                    | II-B-1             | 10,673,389                    | (127,646)                | 10,545,743                 | 3,488,890        | 6,599,204        | 289,790         | 67,860         | 10,545,743           |
| 2       | General Plant                             | II-B-2             | 493,688                       | (4,563)                  | 489,125                    | 81,130           | 359,056          | 25,240          | 23,699         | 489,125              |
| 3       | Communication Equipment                   | II-B-3             | 547,297                       | (61,350)                 | 485,947                    | 95,200           | 370,994          | 33,840          | 45,913         | 485,947              |
| 4       |                                           |                    |                               |                          |                            |                  |                  |                 |                |                      |
| 5       | <b>Total Plant</b>                        |                    | <b>11,714,374</b>             | <b>(193,559)</b>         | <b>11,520,815</b>          | <b>3,665,220</b> | <b>7,369,254</b> | <b>348,870</b>  | <b>137,471</b> | <b>11,520,815</b>    |
| 6       |                                           |                    |                               |                          |                            |                  |                  |                 |                |                      |
| 7       | Mins. Accumulated Depreciation            | II-B-5             | 4,014,836                     | (210,823)                | 3,804,013                  | 906,729          | 2,682,715        | 156,650         | 57,918         | 3,804,013            |
| 8       |                                           |                    |                               |                          |                            |                  |                  |                 |                |                      |
| 9       | <b>Net Plant in Service</b>               |                    | <b>7,699,538</b>              | <b>17,264</b>            | <b>7,716,802</b>           | <b>2,758,491</b> | <b>4,686,539</b> | <b>192,220</b>  | <b>79,553</b>  | <b>7,716,802</b>     |
| 10      |                                           |                    |                               |                          |                            |                  |                  |                 |                |                      |
| 11      | <b>Other Rate Base Items</b>              |                    |                               |                          |                            |                  |                  |                 |                |                      |
| 12      | CWIP                                      | II-B-4             | 427,251                       | (427,251)                | -                          | -                | -                | -               | -              | -                    |
| 13      | Plant Held for Future Use                 | II-B-6             | 11,382                        | (10,261)                 | 1,121                      | 189              | 826              | 48              | 59             | 1,121                |
| 14      | Accumulated Provisions                    | II-B-7             | (6,931)                       | (39)                     | (6,970)                    | (3,964)          | (2,448)          | (240)           | (318)          | (6,970)              |
| 15      | Accumulated Deferred Federal Income Taxes | II-B-7             | (1,022,136)                   | 128,971                  | (893,165)                  | (249,663)        | (611,703)        | (24,633)        | (7,166)        | (893,165)            |
| 16      | Materials & Supplies                      | II-B-8             | 109,729                       | -                        | 109,729                    | 45,595           | 61,915           | 2,219           | -              | 109,728              |
| 17      | Cash Working Capital                      | II-B-9             | 72,877                        | (46,714)                 | 26,163                     | 4,521            | 17,276           | 1,761           | 2,605          | 26,163               |
| 18      | Prepayments                               | II-B-10            | 17,994                        | 172,386                  | 190,380                    | 39,967           | 138,552          | 737             | 11,124         | 190,380              |
| 19      | <b>Other Rate Base Items</b>              |                    |                               |                          |                            |                  |                  |                 |                |                      |
| 20      | Customer Deposits & Advances              | II-B-11            | (17,870)                      | 17,453                   | (417)                      | (417)            | -                | -               | -              | (417)                |
| 21      | Regulatory Liabilities                    | II-B-11            | (1,046,387)                   | 260,346                  | (786,041)                  | (241,967)        | (509,401)        | (21,884)        | (12,789)       | (786,041)            |
| 22      | Regulatory Assets                         | II-B-12            | 199,295                       | (74,384)                 | 124,911                    | 14,872           | 96,970           | 8,757           | 4,313          | 124,911              |
| 23      |                                           |                    |                               |                          |                            |                  |                  |                 |                |                      |
| 24      | <b>Total Other Rate Base Items</b>        |                    | <b>(1,254,795)</b>            | <b>20,596</b>            | <b>(1,234,290)</b>         | <b>(390,867)</b> | <b>(808,013)</b> | <b>(33,237)</b> | <b>(2,173)</b> | <b>(1,234,290)</b>   |
| 25      |                                           |                    |                               |                          |                            |                  |                  |                 |                |                      |
| 26      | <b>TOTAL RATE BASE</b>                    |                    | <b>6,444,742</b>              | <b>37,770</b>            | <b>6,482,512</b>           | <b>2,367,624</b> | <b>3,878,526</b> | <b>158,983</b>  | <b>77,379</b>  | <b>6,482,512</b>     |
| 27      |                                           |                    |                               |                          |                            |                  |                  |                 |                |                      |
| 28      | Rate of Return                            | II-C-1.1           | 7.39%                         | 7.39%                    | 7.39%                      | 7.39%            | 7.39%            | 7.39%           | 7.39%          | 7.39%                |
| 29      |                                           |                    |                               |                          |                            |                  |                  |                 |                |                      |
| 30      | <b>RETURN ON RATE BASE</b>                |                    | <b>476,266</b>                | <b>2,791</b>             | <b>479,058</b>             | <b>174,967</b>   | <b>286,623</b>   | <b>11,749</b>   | <b>5,718</b>   | <b>479,058</b>       |

PUBLIC UTILITY COMMISSION OF TEXAS  
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
II-B SUMMARY OF RATE BASE  
TEST YEAR ENDING 12/31/2023  
DOCKET NO. 56211  
SPONSOR: K. COLVIN

|          |                                   |                    | (1)                      | (2)                 | (3)                   | (4)           | (5)            | (6)          | (7)          | (8)             |
|----------|-----------------------------------|--------------------|--------------------------|---------------------|-----------------------|---------------|----------------|--------------|--------------|-----------------|
| Line No. | Description                       | Reference Schedule | Test Year Total Electric | Company Adjustments | Company Total Request | TRAN          | DIST           | MET          | TDCS         | Total TX Retail |
| 1        |                                   |                    |                          |                     |                       |               |                |              |              |                 |
| 2        | Original Cost of Plant            | II-D-1             | 16,467,080,444           | (21,311,221)        | 16,445,769,223        | 6,186,443,088 | 9,620,708,094  | 483,150,873  | 155,467,168  | 16,445,769,223  |
| 3        | General Plant                     | II-D-2             | 695,855,112              | (12,974,246)        | 682,880,865           | 108,495,480   | 533,353,741    | 33,603,949   | 7,427,696    | 682,880,865     |
| 4        | Communication Equipment           | II-D-3             | 669,741,463              | (3,225,386)         | 666,516,077           | 127,548,026   | 428,079,902    | 49,246,600   | 61,641,549   | 666,516,077     |
| 5        |                                   |                    |                          |                     |                       |               |                |              |              |                 |
| 6        | Total Plant                       |                    | 17,832,677,019           | (37,510,853)        | 17,795,166,166        | 6,422,486,595 | 10,582,141,737 | 566,001,422  | 224,536,412  | 17,795,166,166  |
| 7        |                                   |                    |                          |                     |                       |               |                |              |              |                 |
| 8        | Minus: Accumulated Depreciation   | II-D-5             | 4,427,157,386            | (22,714,368)        | 4,404,443,018         | 920,384,941   | 3,163,580,580  | 228,207,195  | 92,270,302   | 4,404,443,018   |
| 9        |                                   |                    |                          |                     |                       |               |                |              |              |                 |
| 10       | Net Plant in Service              |                    | 13,405,519,632           | (14,796,485)        | 13,390,723,148        | 5,502,101,654 | 7,418,561,157  | 337,794,227  | 132,266,110  | 13,390,723,148  |
| 11       |                                   |                    |                          |                     |                       |               |                |              |              |                 |
| 12       | Other Rate Base Items:            |                    |                          |                     |                       |               |                |              |              |                 |
| 13       | CWIP                              | II-D-4             | 1,067,127,699            | (1,067,127,699)     | -                     | -             | -              | -            | -            | -               |
| 14       | Plant Held for Future Use         | II-D-6             | 10,452,078               | (4,192,438)         | 6,259,640             | 6,042,505     | 217,135        | -            | -            | 6,259,640       |
| 15       | Accumulated Provisions            | II-D-7             | 18,550,490               | 5,684,575           | 24,235,065            | (5,057,838)   | 31,130,150     | (1,266,179)  | (571,067)    | 24,235,065      |
| 16       | Accumulated Deferred Income Taxes | II-D-7             | (1,428,931,365)          | 157,952,565         | (1,270,978,800)       | (448,441,177) | (751,023,980)  | (47,610,933) | (23,902,710) | (1,270,978,800) |
| 17       | Materials and Supplies            | II-D-8             | 449,428,267              | (64,222,156)        | 385,206,111           | 214,939,567   | 166,578,016    | 3,688,528    | -            | 385,206,111     |
| 18       | Cash Working Capital              | II-D-9             | 62,592,133               | (50,423,773)        | 12,168,360            | 2,388,107     | 7,564,768      | 1,164,464    | 1,051,021    | 12,168,360      |
| 19       | Prepayments                       | II-D-10            | 35,532,670               | 34,957,557          | 70,490,227            | 15,732,066    | 45,727,535     | 6,186,665    | 2,843,961    | 70,490,227      |
| 20       | Other Rate Base Items:            |                    |                          |                     |                       |               |                |              |              |                 |
| 21       | Customer Deposits & Advances      | II-D-11            | (37,446,336)             | 37,106,170          | (340,166)             | (340,166)     | -              | -            | -            | (340,166)       |
| 22       | Regulatory Liabilities            | II-D-11            | (933,697,180)            | 167,231,322         | (766,465,858)         | (264,527,922) | (459,741,236)  | (29,841,394) | (12,355,306) | (766,465,858)   |
| 23       | Regulatory Assets                 | II-D-12            | 1,034,925,341            | (794,265,360)       | 240,659,981           | 25,639,214    | 194,875,274    | 10,738,039   | 9,407,454    | 240,659,981     |
| 24       |                                   |                    |                          |                     |                       |               |                |              |              |                 |
| 25       | Total Other Rate Base Items       |                    | 278,533,797              | (1,577,299,237)     | (1,298,765,439)       | (453,625,644) | (764,672,339)  | (56,940,811) | (23,526,646) | (1,298,765,439) |
| 26       |                                   |                    |                          |                     |                       |               |                |              |              |                 |
| 27       | TOTAL RATE BASE                   |                    | 13,684,053,430           | (1,592,095,722)     | 12,091,957,708        | 5,048,476,010 | 6,653,888,818  | 280,853,416  | 108,739,464  | 12,091,957,708  |
| 28       |                                   |                    |                          |                     |                       |               |                |              |              |                 |
| 29       | Rate of Return                    | II-C-1.1           | 7.03%                    | 7.03%               | 7.03%                 | 7.03%         | 7.03%          | 7.03%        | 7.03%        | 7.03%           |
| 30       |                                   |                    |                          |                     |                       |               |                |              |              |                 |
| 31       | RETURN ON RATE BASE               |                    | 962,210,914              | (111,950,153)       | 850,260,761           | 354,989,751   | 467,876,311    | 19,748,551   | 7,646,148    | 850,260,761     |

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS  
REQUEST NO.: PUC-RF104-29**

**QUESTION:**

Please refer to the testimony of Bertha Villatoro at pages 45 and 47 and provide separately for the Benefit Restoration Plan and the Savings Restoration Plan the amounts included in CEHE's requested revenue requirement by FERC account. Please also provide the amounts capitalized and included in CEHE's requested rate base in this proceeding by plan and by FERC account for each year 2019 through 2023.

**ANSWER:****Benefit Restoration Plan - Expense:**

Please refer to RFP WP/II-D-2 Adj 6.1 for the Benefit Restoration expense amounts included in the test year revenue requirement.

- For the *direct* amount of \$152,934 (in FERC account 9260), see Column J, Line Nos. 3 and 4.
- For the amounts *allocated* to the Company of \$844,126 (\$843,859 in FERC account 9260 and \$267 in FERC account 9302), see Column J, Line Nos. 12 and 13.

**Savings Restoration Plan - Expense:**

- The Company did not include *direct* Savings Restoration Plan expense in the revenue requirement.
- The amount *allocated* to the Company for Savings Restoration Plan expense in the revenue requirement is \$387,705 (\$13 in FERC account 5880, \$385,037 in FERC account 9260, and \$2,655 in FERC account 9302).

**Benefits Restoration Plan and Savings Restoration Plan – Capital:**

Please see the table below for the Company's capital amounts related to the Benefit Restoration Plan and Savings Restoration Plan included in CenterPoint Houston's requested rate base for the years 2019 through 2023.

| Plan                                  | 2019       | 2020       | 2021       | 2022       | 2023       |
|---------------------------------------|------------|------------|------------|------------|------------|
| Benefits Restoration Plan – Direct    | \$ 497,183 | \$ 371,128 | \$ 299,417 | \$ 247,907 | \$ 275,012 |
| Savings Restoration Plan - Direct     | \$ 31,146  | \$ 20,002  | \$ 162,749 | \$ 13,792  | \$ 95,658  |
| Benefits Restoration Plan – Allocated | \$ 17,001  | \$ 9,644   | \$ 17,020  | \$ 12,704  | \$ 18,153  |
| Savings Restoration Plan - Allocated  | \$ 56,817  | \$ 8,769   | \$ 54,451  | \$ 43,289  | \$ 148,128 |

Please also refer to schedule II-B-7 for the Benefit Restoration Plan accrued liability amount of \$5,278,000 in FERC account 2283 that reduces rate base.

**SPONSOR:**

Kristie Colvin/Darren Storey

**RESPONSIVE DOCUMENTS:**

None

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC**  
**PUC DOCKET NO. 56211**  
**SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS**  
**REQUEST NO.: PUC-RF104-25**

**QUESTION:**

Does CEHE's requested revenue requirement include amounts for executive perquisites such as financial planning and tax gross-ups? If so, please provide an explanation of the types of perquisites included, a copy of CEHE's policies regarding the payment of such perquisites, and the amount of such payments by FERC account included in the requested revenue requirement.

**ANSWER:**

Yes, amounts for executive perquisites such as executive physicals, financial planning and estate planning are included in the requested revenue requirement. All CenterPoint Energy officers are eligible to participate in the Executive Health Assessment Program. CenterPoint Energy provides its officers the opportunity for reimbursement for financial planning services. Senior officers are provided the opportunity to receive comprehensive financial counseling services from Ayco Company. The following attachments contain summaries of the benefits provided to officers and senior officers:

- PUC-RF104-25 Financial Planning Program Benefits for Officers 2023 (confidential).pdf
- PUC-RF104-25 Financial Planning Program Benefits for Senior Officers 2022 (confidential).pdf
- PUC-RF104-25 2023 Kelsey-Seybold Executive Health Booklet (confidential).pdf

**The attachments are confidential and are being provided pursuant to the Protective Order issued in Docket No. 56211.**

The direct executive perquisites payment included in the revenue requirement is \$2,500 in FERC Account 9080 and \$495 in FERC Account 9260.

The allocated Affiliate executive perquisites included in the revenue requirement by FERC is as follows:

|      |    |       |
|------|----|-------|
| 1070 | \$ | 308   |
| 5600 | \$ | 186   |
| 5800 | \$ | 466   |
| 9020 | \$ | 33    |
| 9030 | \$ | 8     |
| 9260 | \$ | 807   |
| 9302 | \$ | 8,911 |

**SPONSOR:**

Kristie Colvin, Darren Storey, Bertha Villatoro

**RESPONSIVE DOCUMENTS:**

PUC-RF104-25 Financial Planning Program Benefits for Officers 2023 (confidential).pdf  
PUC-RF104-25 Financial Planning Program Benefits for Senior Officers 2022 (confidential).pdf  
PUC-RF104-25 2023 Kelsey-Seybold Executive Health Booklet (confidential).pdf

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS  
REQUEST NO.: PUC-RFI04-34**

**QUESTION:**

Please identify any amounts included in the revenue requirement by FERC account for carrying costs associated with affiliate or shared assets that have been charged by an affiliate to CEHE. Please provide the information in its entirety and please separately identify the amounts that are debt based and those considered equity return amounts.

**ANSWER:**

Please see the attachment to this response for the requested information.

**SPONSOR:**

Darren Storey

**RESPONSIVE DOCUMENTS:**

PUC-RFI04-34 Attachment 1.xlsx

**Service Company Return on Assets-Allocation to CNP Houston Electric**

| CNP Houston Electric - Total |            |           |              |                |            |
|------------------------------|------------|-----------|--------------|----------------|------------|
| FERC Account                 | IT         | Finance   | Supply Chain | Human Resource | Total      |
| 5600                         | 38,661.15  | -         | -            | -              | 38,661.15  |
| 5800                         | 96,741.55  | -         | -            | -              | 96,741.55  |
| 9020                         | 4,271.05   | -         | -            | -              | 4,271.05   |
| 9030                         | 1,655.22   | -         | -            | 7,462.37       | 9,117.58   |
| 9302                         | 6,458.30   | 75,842.34 | 16,812.09    | 25,560.87      | 124,673.61 |
|                              | 147,787.27 | 75,842.34 | 16,812.09    | 33,023.24      | 273,464.94 |

| CNP Houston Electric - Debt Based |           |           |              |                |           |
|-----------------------------------|-----------|-----------|--------------|----------------|-----------|
| FERC Account                      | IT        | Finance   | Supply Chain | Human Resource | Total     |
| 5600                              | 11,269.73 | -         | -            | -              | 11,269.73 |
| 5800                              | 28,200.16 | -         | -            | -              | 28,200.16 |
| 9020                              | 1,245.01  | -         | -            | -              | 1,245.01  |
| 9030                              | 482.50    | -         | -            | 2,175.28       | 2,657.78  |
| 9302                              | 1,882.60  | 22,108.04 | 4,900.72     | 7,450.99       | 36,342.36 |
|                                   | 43,079.99 | 22,108.04 | 4,900.72     | 9,626.27       | 79,715.03 |

| CNP Houston Electric - Equity Based |            |           |              |                |            |
|-------------------------------------|------------|-----------|--------------|----------------|------------|
| FERC Account                        | IT         | Finance   | Supply Chain | Human Resource | Total      |
| 5600                                | 27,391.42  | -         | -            | -              | 27,391.42  |
| 5800                                | 68,541.39  | -         | -            | -              | 68,541.39  |
| 9020                                | 3,026.04   | -         | -            | -              | 3,026.04   |
| 9030                                | 1,172.72   | -         | -            | 5,287.09       | 6,459.81   |
| 9302                                | 4,575.71   | 53,734.30 | 11,911.37    | 18,109.88      | 88,331.25  |
|                                     | 104,707.28 | 53,734.30 | 11,911.37    | 23,396.97      | 193,749.91 |

| Line No. | Description                             | Adjusted Test year amount |   | Average Daily Amount | Revenue Lag | Ref. | Expense Lag | Ref. | Net Lead(Lag)<br>Days | Working Capital<br>Requirement |
|----------|-----------------------------------------|---------------------------|---|----------------------|-------------|------|-------------|------|-----------------------|--------------------------------|
| 1        | Operations and Maintenance Expense      | 1,946,240,619             | - | 5,332,166            | 51.28       | -    | -14.94      | -    | 6.34                  | 33,805,933                     |
| 2        | Less: Amortization of Prepayments       | 27,995,426                | - | 76,700               | 0.00        | -    | 0.00        | -    | 0.00                  | -                              |
| 3        | Less: Revenue Transmission of Others    | -                         | - | -                    | 0.00        | -    | 0.00        | -    | 0.00                  | -                              |
| 4        | Less: Long-Term Incentive Compensation  | 229,253                   | - | 628                  | 0.00        | -    | 0.00        | -    | 0.00                  | -                              |
| 5        | Less: Transportation Depreciation       | -                         | - | -                    | 0.00        | -    | 0.00        | -    | 0.00                  | -                              |
| 6        | Net Operations and Maintenance Expenses | 1,918,015,940             | - | 5,254,838            | 51.28       | -    | -44.94      | -    | 6.34                  | 33,315,674                     |
| 7        |                                         |                           |   |                      |             |      |             |      |                       |                                |
| 8        | <u>Federal Income Taxes</u>             |                           |   |                      |             |      |             |      |                       |                                |
| 9        | Income Taxes - Current                  | (1,616,880)               | - | (4,430)              | 51.28       | -    | -37.00      | -    | 14.28                 | (63,258)                       |
| 10       | Income Taxes - Deferred                 | 134,026,235               | - | 367,195              | 0.00        | -    | 0.00        | -    | 0.00                  | -                              |
| 11       | Total Federal Income Taxes              | 132,409,355               | - | 362,765              | 51.28       | -    | -37.00      | -    | 14.28                 | 5,180,289                      |
| 12       |                                         |                           |   |                      |             |      |             |      |                       |                                |
| 13       | <u>Taxes Other Than Income Taxes</u>    |                           |   |                      |             |      |             |      |                       |                                |
| 14       | Payroll Taxes                           | 11,975,010                | - | 32,808               | 51.28       | -    | -41.00      | -    | 10.28                 | 337,269                        |
| 15       | State Franchise Taxes                   | 32,940,355                | - | 90,248               | 51.28       | -    | -47.00      | -    | 98.28                 | 8,869,529                      |
| 16       | Local Franchise Taxes                   | 157,816,418               | - | 432,374              | 51.28       | -    | 10.00       | -    | 61.28                 | 26,495,863                     |
| 17       | Ad Valorem Tax                          | 126,849,640               | - | 347,533              | 51.28       | -    | -218.04     | -    | -166.76               | (57,954,646)                   |
| 18       | Total TOTI                              | 329,581,422               | - | 902,963              |             | -    |             | -    |                       | (22,251,985)                   |
| 19       |                                         |                           |   |                      |             |      |             |      |                       |                                |
| 20       | Depreciation Expense                    | 60,804,189                | - | 166,587              | 0.00        | -    | 0.00        | -    | 0.00                  | -                              |
| 21       |                                         |                           |   |                      |             |      |             |      |                       |                                |
| 22       | Return                                  | (9) 850,260,761           | - | 2,329,482            | 0.00        | -    | 0.00        | -    | 0.00                  | -                              |
| 23       |                                         |                           |   |                      |             |      |             |      |                       |                                |
| 24       | Subtotal                                | 3,291,071,666             | - | 9,016,635            | 51.28       |      | -44.94      |      | 6.34                  | 16,243,978                     |
| 25       |                                         |                           |   |                      |             |      |             |      |                       |                                |
| 26       | Average Daily Bank Balances             | -                         | - | -                    | 0.00        | -    | 0.00        | -    | 0.00                  | 3,324,909                      |
| 27       | Working Funds and Other                 | -                         | - | -                    | 0.00        | -    | 0.00        | -    | 0.00                  | (7,400,527)                    |
| 28       |                                         |                           |   |                      |             |      |             |      |                       |                                |
| 29       | Total                                   |                           |   |                      |             |      |             |      |                       | 12,168,360                     |
| 30       |                                         |                           |   |                      |             |      |             |      |                       |                                |
| 31       | (1) Ties to Schedule II-13              |                           |   |                      |             |      |             |      |                       |                                |



**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC  
PUC DOCKET NO. 56211  
SOAH DOCKET NO. 473-24-13232**

**PUBLIC UTILITY COMMISSION OF TEXAS  
REQUEST NO.: PUC-RF104-01**

**QUESTION:**

**Rate Base:**

Please refer to CEHE's calculation of its cash working capital requirement at WP II-B-9 and confirm that the requested amount of \$12,226,038 includes an amount of cash working capital associated with deferred federal income taxes. Please also confirm that Exhibit TSL-2 to the testimony of Timothy Lyons presents net(lead)/lag days of zero for deferred income taxes. If confirmed, please explain why the inclusion of a cash working capital amount for deferred income taxes is appropriate.

**ANSWER:**

The Company's calculation of the cash working capital requirement does not include an amount related to deferred federal income taxes.

While the Company's workpaper WP II-B-9 includes an adjusted test year amount related to deferred federal income taxes of \$134.0 million, the amount does not contribute to the Company's cash working capital requirement because the revenue lag and expense lead days are zero, consistent with the Commission's Substantive Rule §25.231(c)(2)(B)(iii)(IV)(-a-) that excludes all non-cash items including deferred taxes. Specifically, the Rule states, "[t]he lead-lag study will use the cash method; all non-cash items, including but not limited to depreciation, amortization, deferred taxes, prepaid items, and return (including interest on long-term debt and dividends on preferred stock), will not be considered."

**SPONSOR:**

Tim Lyons

**RESPONSIVE DOCUMENTS:**

None

| Line No. | Description                                  | CNP Houston Electric, LLC |
|----------|----------------------------------------------|---------------------------|
| 1        | WP/II-E-2.1 AD VALOREM TAX ADJUSTMENT FACTOR |                           |
| 2        |                                              |                           |
| 3        |                                              |                           |
| 4        | 2023 Ending Plant in Service                 | 17,774,548,025            |
| 5        | less: 2023 Beginning Plant in Service        | 15,956,025,163            |
| 6        | Change in Plant in Service                   | 1,818,522,862             |
| 7        |                                              |                           |
| 8        | Divided by 2023 Beginning Plant in Service   | 15,956,025,163            |
| 9        |                                              |                           |
| 10       | Increase in Plant in Service                 | 11.40%                    |
| 15       | 2023 Ad Valorem Taxes                        | 113,871,590               |
| 16       | times Additions Factor                       | 1.1140                    |
| 17       |                                              |                           |
| 18       | 2024 Forecasted Ad Valorem Taxes             | 126,849,640               |
| 19       |                                              |                           |
| 20       | 2023 Ad Valorem Total Company                | 109,041,725               |
| 21       |                                              |                           |
| 22       | Canter Point Ad Valorem Adjustment           | 17,807,915                |

#### **STAFF ADJUSTMENT TO AD VALOREM TAX:**

|                                     |                              |
|-------------------------------------|------------------------------|
| <b>Staff Disallowed Plant</b>       | <b>(120,503,919)</b>         |
| <b>2023 Ending Plant in Service</b> | <b><u>17,795,166,166</u></b> |
| <b>Percent Plant Disallowed</b>     | <b>-0.677%</b>               |
| <b>Requested Ad Valorem Taxes</b>   | <b>126,849,640</b>           |
| <b>Percent Disallowed</b>           | <b><u>-0.677%</u></b>        |
| <b>Disallowed Ad Valorem Taxes</b>  | <b><u>(858,991)</u></b>      |

**LIST OF PREVIOUS TESTIMONY  
Before the Public Utility Commission of Texas**

**Docket No. 9874:**

*Application of Kimble Electric Cooperative, Inc. for Authority to Change Rates*

**Docket No. 9981:**

*Inquiry of the General Counsel into the Reasonableness of the Rates and Services of Central Telephone Company of Texas*

**Docket No. 13050:**

*Application of Rayburn Country Electric Cooperative, Inc. for Authority to Change Rates*

**Docket No. 12065:**

*Complaint of Kenneth D. Williams Against Houston Lighting and Power Company*

**Docket No. 14980:**

*Application of Southwestern Public Service Company Regarding Proposed Business Combination with Public Service Company of Colorado*

**Docket No. 17751:**

*Texas-New Mexico Power Company's Application for Approval of the TNMP Transition Plan and Statement of Intent to Decrease Rates, and Appeal of Municipal Rate Actions*

**Docket No. 29206:**

*Application of Texas-New Mexico Power Company, First Choice Power, Inc., and Texas Generating Company, L.P. to Finalize Stranded Costs Under PURA §39.262*

**Docket No. 28813:**

*Petition to Inquire into the Reasonableness of the Rates and Services of Cap Rock Energy Corporation*

**Docket No. 31994:**

*Application of Texas-New Mexico Power Company to Establish a Competition Transition Charge*

**Docket No. 32766:**

*Application of Southwestern Public Service Company for: (1) Authority to Change Rates; (2) Reconciliation of its Fuel Costs for 2004 and 2005; (3) Authority to Revise the Semi-Annual Formulae Originally Approved in Docket No. 27751 used to Adjust its Fuel Factors; and (4) Related Relief*

**Docket No. 34800:**

*Application of Entergy Gulf States, Inc. for Authority to Change Rates and to Reconcile Fuel Costs*

**Docket No. 40627:**

*Petition for Homeowners United for Rate Fairness to Review Austin Rate Ordinance No. 20120607-055*

**Docket No. 41430:**

*Joint Report and Application of Sharyland Utilities, LP, Sharyland Distribution & Transmission Services, and Southwestern Public Service Company for Approval of Purchase and Sale of Facilities, for Regulatory Accounting Treatment of Gain on Sale, and for Transfer of Certificate Rights*

**Docket No. 41906**

*Compliance Tariff of CenterPoint Energy Houston Electric LLC Related to Non-Standard Metering and Service Pursuant to PUC SUBST.R.25.133*

**Docket No. 41901**

*Compliance Tariff of Texas-New Mexico Power Company LLC Related to Non-Standard Metering and Service Pursuant to PUC SUBST.R.25.133*

**Docket No. 41890**

*Compliance Tariff of Oncor Electric Delivery Company LLC Regarding the Rulemaking Related to Advanced Metering Alternatives, Pursuant to PUC SUBST.R.25.133(E)(I)*

**Docket No. 45747**

*Application of CenterPoint Energy Houston Electric, LLC to Amend its Distribution Cost Recovery Factor and to Reconcile Docket No. 44572 Revenues*

**Docket No. 46449**

*Application of Southwestern Electric Power Company for Authority to Change Rates*

**Docket No. 48371**

*Entergy Texas Inc. 's Statement of Intent and Application for Authority to Change Rates*

**Docket No. 48233**

*Application of Southwestern Electric Power Company to Implement Base Rate Decrease in Compliance with Docket No. 46449*

**Docket No. 48071**

*Joint Application of NextEra Energy Transmission Southwest, LLC and Rayburn Country Electric Cooperative, Inc. to Transfer Certificate Rights to Facilities in Cherokee, Smith, and Rusk Counties*

**Docket No. 47141**

*Review of Rate Case Expenses Incurred by Southwestern Electric Power Company and Municipalities in Docket No. 46449*

**Docket No. 48439**

*Review of the Rate Case Expenses Incurred in Docket No. 48371*

**Docket No. 49737**

*Application of Southwestern Electric Power Company for Certificate of Convenience and Necessity Authorization and Related Relief for the Acquisition of Wind Generation Facilities*

**Docket No. 50731**

*Application of Texas-New Mexico Power Company for a Distribution Cost Recovery Factor*

**Docket No. 50205**

*Application of Floresville Electric Light and Power System to Change Rates for Wholesale Transmission Service*

**Docket No. 50790**

*Joint Report and Application of Entergy Texas, Inc. and East Texas Electric Cooperative, Inc. for Regulatory Approvals Related to Transfers of the Hardin County Peaking Facility and a Partial Interest in Montgomery Power Station*

**Docket No. 50908**

*Application of CenterPoint Energy Houston Electric, LLC to Adjust its Energy Efficiency Cost Recovery Factor*

**Docket No. 50806**

*Application of El Paso Electric Company to Adjust its Energy Efficiency Cost Recovery Factor and Establish Revised Cost Cap*

**Docket No. 51215**

*Application of Entergy Texas, Inc. to Amend its Certificate of Convenience and Necessity for the Acquisition of a Solar Facility in Liberty County*

**Docket No. 51415**

*Application of Southwestern Electric Power Company for Authority to Change Rates*

**Docket No. 51536**

*Application of Brownsville Public Utilities Board for Transmission Cost of Service and Wholesale Transmission Rates*

**Docket No. 52195**

*Application of El Paso Electric Company to Change Rates*

**Docket No. 53436**

*Application of Texas-New Mexico Power Company to Amend its Distribution Cost Recovery Factor*

**Docket No. 52728**

*Application of the City of College Station to Change Rates for Wholesale Transmission Service*

**Docket No. 53637**

*Application of Texas-New Mexico Power Company for Approval to Adjust its Energy Efficiency Cost Recovery Factor and Related Relief*

**Docket No. 53601**

*Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*

**Docket No. 53719**

*Application of Entergy Texas, Inc. for Authority to Change Rates*

**Docket No. 53931**

*Application of Southwestern Electric Power Company for Authority to Reconcile Fuel Costs*

**Docket No. 52715**

*Application of Denton Municipal Electric to Change Rates for Wholesale Transmission Service*

**Docket No. 54634**

*Application of Southwestern Public Service Company for Authority to Change Rates*

The following files are not convertible:

|            |                                   |
|------------|-----------------------------------|
| Model.xlsx | 56211 Staff's Revenue Requirement |
|------------|-----------------------------------|

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

Contact [centralrecords@puc.texas.gov](mailto:centralrecords@puc.texas.gov) if you have any questions.